

SUPPLEMENT DATED JUNE 25, 2012
to
OFFICIAL STATEMENT DATED JUNE 1, 2012
relating to
\$195,890,000 ALASKA HOUSING FINANCE CORPORATION
General Mortgage Revenue Bonds II, 2012 Series A and 2012 Series B

The Official Statement dated June 1, 2012 relating to the above-referenced Bonds (the “Official Statement”) is hereby supplemented as follows. Capitalized terms used and not defined herein have the meanings ascribed to them in the Official Statement.

The definition of “Rate Determination Date” in Appendix D — “CERTAIN DEFINITIONS WITH RESPECT TO THE 2012 SERIES B BONDS” is deleted in its entirety and replaced with the following:

“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 2012 Series B Bonds are to bear interest at a Weekly Rate, is by 11:00 A.M., New York time, on the related Effective Rate Date (unless such day is not a Business Day, in which case by 4:00 P.M., New York time, on the immediately preceding Business Day).

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NEW ISSUES - BOOK ENTRY ONLY

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



\$195,890,000 ALASKA HOUSING FINANCE CORPORATION General Mortgage Revenue Bonds II

**\$145,890,000 2012 Series A
\$50,000,000 2012 Series B (Federally Taxable) (Variable Rate)**

<i>Dated</i>	Date of delivery.
<i>Due</i>	As shown on inside cover page.
<i>Price</i>	As shown on inside cover page.
<i>Tax Exemption</i>	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 2012 Series A Bonds described above is excluded from gross income for Federal income tax purposes and (ii) interest on the 2012 Series A 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. Interest on the 2012 Series B Bonds described above is <i>included</i> in gross income for Federal income tax purposes. In the opinion of Bond Counsel, under existing laws, interest on the 2012 Series A Bonds and the 2012 Series B Bonds (collectively, 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."
<i>Redemption</i>	The Offered Bonds are subject to redemption at par prior to maturity under the circumstances described herein. See "The Offered Bonds — Redemption."
<i>Interest Rates;</i>	The 2012 Series A Bonds will bear interest at the rates set forth on the inside cover page. The 2012 Series B Bonds will initially bear interest at a Weekly Rate as described under "The Offered Bonds — General" and "The Offered Bonds — Description of the 2012 Series B Bonds." THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE 2012 SERIES B BONDS THAT ARE NOT IN A WEEKLY MODE. The 2012 Series B Bonds in a Weekly Mode
<i>Tender;</i>	are subject to optional and mandatory tender for purchase as described under "The Offered Bonds — Description of the 2012 Series B Bonds." The 2012 Series B Bonds subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent (as described herein) will be purchased, subject to certain conditions precedent, by the Corporation, pursuant to the terms of an Initial Liquidity Facility (as described herein) among the Corporation, U.S. Bank National Association, as tender agent, and U.S. Bank National Association, as trustee. THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2012 SERIES B BONDS ONLY WHEN THEY ARE COVERED BY THE INITIAL LIQUIDITY FACILITY. Payment by the Corporation of the purchase price of 2012 Series B Bonds upon tender and certain conditions described herein is a general obligation of the Corporation, but is not secured by funds and assets pledged under the Indenture to secure the Bonds. See "The Corporation's Obligation to Purchase 2012 Series B Bonds."
<i>Initial Liquidity Facility</i>	
<i>Security</i>	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 Acquired 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 "Acquired 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.
<i>Interest Payment Dates</i>	December 1, 2012, and thereafter on each June 1 and December 1.
<i>Denominations</i>	2012 Series A Bonds: \$5,000 or any integral multiple thereof. 2012 Series B Bonds: \$100,000 or any integral multiple of \$5,000 in excess thereof.
<i>Closing Date</i>	July 11, 2012.
<i>Bond Counsel</i>	Birch Horton Bittner & Cherot.
<i>Special Tax Counsel</i>	Kutak Rock LLP.
<i>Underwriters' Counsel</i>	Hawkins Delafield & Wood LLP.
<i>Trustee</i>	U.S. Bank National Association.
<i>Financial Advisor</i>	FirstSouthwest.
<i>Book-Entry System</i>	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.

BofA Merrill Lynch[†]

**Edward Jones George K. Baum & Company J.P. Morgan KeyBanc Capital Markets
Raymond James | Morgan Keegan Morgan Stanley Siebert Brandford Shank & Co., LLC**

June 1, 2012

[†] Sole underwriter with respect to the 2012 Series B Bonds.

MATURITY SCHEDULE

\$145,890,000 2012 Series A Bonds

\$47,255,000 2012 Series A Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP[†]</u>
December 1, 2012	\$ 235,000	0.35%	100%	01170RDC3
June 1, 2013	1,445,000	0.40	100	01170RDD1
December 1, 2013	1,480,000	0.50	100	01170RDE9
June 1, 2014	1,520,000	0.60	100	01170RDF6
December 1, 2014	1,560,000	0.80	100	01170RDG4
June 1, 2015	1,600,000	0.95	100	01170RDH2
December 1, 2015	1,640,000	1.05	100	01170RDJ8
June 1, 2016	1,680,000	1.15	100	01170RDK5
December 1, 2016	1,725,000	1.30	1.35	01170RDL3
June 1, 2017	1,765,000	1.50	100	01170RDM1
December 1, 2017	1,810,000	1.65	1.70	01170RDN9
June 1, 2018	1,860,000	1.85	100	01170RDP4
December 1, 2018	1,905,000	1.95	2.00	01170RDQ2
June 1, 2019	1,955,000	2.125	100	01170RDR0
December 1, 2019	2,005,000	2.25	100	01170RDS8
June 1, 2020	2,055,000	2.50	100	01170RDT6
December 1, 2020	2,105,000	2.50	100	01170RDU3
June 1, 2021	2,160,000	2.875	100	01170RDV1
December 1, 2021	2,215,000	2.875	100	01170RDW9
June 1, 2022	2,275,000	3.00	3.02	01170RDX7
December 1, 2022	2,330,000	3.00	3.02	01170RDY5
June 1, 2023	2,390,000	3.125	3.15	01170RDZ2
December 1, 2023	2,450,000	3.125	3.15	01170REA6
June 1, 2024	2,515,000	3.25	3.30	01170REB4
December 1, 2024	2,575,000	3.25	3.30	01170REC2

\$16,900,000 3.50% 2012 Series A Term Bonds due December 1, 2027 Priced to Yield: 3.60% CUSIP[†]: 01170RED0

\$29,680,000 4.00% 2012 Series A Term Bonds due December 1, 2032 @100% CUSIP[†]: 01170REE8

\$24,035,000 4.125% 2012 Series A Term Bonds due December 1, 2037 Priced to Yield: 4.25% CUSIP[†]: 01170REF5

\$21,645,000 4.00% 2012 Series A Term Bonds due June 1, 2040 Priced to Yield: 2.25%

CUSIP[†]: 01170REG3 (PAC Bonds)

\$6,375,000 4.25% 2012 Series A Term Bonds due December 1, 2040 Priced to Yield: 4.30% CUSIP[†]: 01170REH1

\$50,000,000 2012 Series B Bonds (Federally Taxable) (Variable Rate)

\$50,000,000 2012 Series B Bonds due December 1, 2042

Price: 100% CUSIP[†]: 01170REJ7

[†] CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. Neither the Corporation nor the Underwriters of the Offered Bonds assume any responsibility for the accuracy of such data.

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 the offering of the Offered Bonds, the Underwriters may over-allot 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

\$195,890,000 General Mortgage Revenue Bonds II

\$145,890,000 2012 Series A

\$50,000,000 2012 Series B (Federally Taxable) (Variable Rate)

INTRODUCTION

This Official Statement (including the cover page, inside cover page and appendices) of the Alaska Housing Finance Corporation (the “Corporation”) sets forth information in connection with the Corporation’s General Mortgage Revenue Bonds II, 2012 Series A (the “2012 Series A Bonds”) and 2012 Series B (the “2012 Series B Bonds”; together with the 2012 Series A 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 July 1, 2012 (the “General Indenture”), by and between the Corporation and U.S. Bank National Association, Seattle, Washington, as trustee (the “Trustee”), a 2012 Series A Supplemental Indenture, dated as of July 1, 2012 (the “2012 Series A Supplemental Indenture”), by and between the Corporation and the Trustee and a 2012 Series B Supplemental Indenture, dated as of July 1, 2012 (the “2012 Series B Supplemental Indenture”; together with the 2012 Series A Supplemental Indenture, the “2012 Series A and B Supplemental Indenture”), 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 2012 Series A and B Supplemental Indenture) are referred to collectively as the “Indenture.” Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. See “Summary of Certain Provisions of the Indenture — Certain Definitions.”

The 2012 Series A Bonds and the 2012 Series B Bonds are the first and second Series of Bonds, respectively, issued under the Indenture. The underwriters listed on the cover page will act as underwriters with respect to the 2012 Series A Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) will act as sole underwriter with respect to the 2012 Series B Bonds. The underwriters listed on the cover page are referred to herein collectively as the “Underwriters.” The obligation of the Underwriters to purchase the 2012 Series A Bonds is *not* conditioned on the issuance and delivery of the 2012 Series B Bonds. The obligation of Merrill Lynch to purchase the 2012 Series B Bonds is *not* conditioned on the issuance and delivery of the 2012 Series A Bonds. See “Underwriting.”

Proceeds of the 2012 Series A Bonds will be used, within 90 days of the date of issuance of the 2012 Series A Bonds, to redeem all of the Corporation’s then-outstanding General Mortgage Revenue Bonds (the “Refunded Bonds”) and to replace amounts to be used to refund certain other outstanding obligations of the Corporation (the “Refunded Obligations”). In

connection with such redemption, replacement and refunding and the issuance of the 2012 Series A Bonds, certain mortgage loans financed with proceeds of the Corporation's General Mortgage Revenue Bonds (the "Transferred Mortgage Loans") and certain other mortgage loans (the "Collateral Mortgage Loans") currently held under the Corporation's General Mortgage Revenue Bonds Indenture (the "Prior GMRB Indenture") will be transferred to and become subject to the lien and pledge of the Indenture, and certain amounts currently held under the Prior GMRB Indenture will be transferred to and become subject to the lien and pledge of the Indenture and thereafter applied to purchase Mortgage Loans. For a description as of March 31, 2012 of the Transferred Mortgage Loans, see "Acquired Obligations — Mortgage Loans — Transferred Mortgage Loans," and for certain information as of March 31, 2012 regarding the Collateral Mortgage Loans, see "Acquired Obligations — Mortgage Loans — Collateral Mortgage Loans." Prior to the transfer of the Transferred Mortgage Loans and the Collateral Mortgage Loans to the Indenture, the principal balances of the Transferred Mortgage Loans and Collateral Mortgage Loans will be reduced by principal prepayments and scheduled principal repayments received, and certain amounts available under the Prior GMRB Indenture will be applied to purchase additional Transferred Mortgage Loans. All such Transferred Mortgage Loans and Collateral Mortgage Loans, together with any additional Mortgage Loans purchased with amounts allocated to the 2012 Series A Bonds after the date of such transfer, are referred to herein collectively as the "2012 Series A Mortgage Loans." Proceeds of the 2012 Series B Bonds will be used to purchase Mortgage Loans ("2012 Series B Mortgage Loans") on and after the date of issuance of the 2012 Series B Bonds. Upon the issuance of the Offered Bonds, the Corporation from its general unrestricted funds will pay costs of issuance. See "Application of Funds" and "Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses."

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 Offered Bonds will be secured on a parity with any Additional Bonds.

The 2012 Series B Bonds will initially be issued in a Weekly Mode. The Corporation may elect to cause 2012 Series B 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, 2012 Series B Bonds will be subject to mandatory tender for purchase. See "The Offered Bonds — Description of the 2012 Series B Bonds — Mandatory Tender." **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE 2012 SERIES B BONDS THAT ARE NOT IN A WEEKLY MODE.** While in a Weekly Mode, 2012 Series B Bonds also are subject to tender by the Holders thereof under the circumstances set forth in the 2012 Series B Supplemental Indenture.

Merrill Lynch initially will act as Remarketing Agent with respect to the 2012 Series B 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.

In the event and to the extent that 2012 Series B Bonds are to be tendered to the Tender Agent (defined below) for purchase under an optional or mandatory tender and in the event that the amount of funds (if any) made available to the Tender Agent from the Remarketing Agent,

together with any interest paid to the Tender Agent, is less than the principal amount, plus accrued interest, if any, of the 2012 Series B Bonds to be so tendered, the Corporation is required to deposit with the Tender Agent an amount which, together with any funds made available to the Tender Agent from the Remarketing Agent, will be sufficient to pay the principal amount, plus accrued interest, if any, of such Bonds to be so tendered, all in accordance with the terms of a Tender Agreement, dated as of July 1, 2012 (the “Initial Liquidity Facility”), among the Corporation, U.S. Bank National Association, as Tender Agent (the “Tender Agent”), and the Trustee. The Corporation is required to obtain such deposit amounts from any source other than (i) moneys pledged pursuant to the Indenture to secure Bonds, (ii) revenues and assets pledged to the holders of other obligations of the Corporation, and (iii) amounts in the Corporation’s Housing Development Fund. The Corporation’s obligation to deposit such amount for the purchase of 2012 Series B Bonds under the Initial Liquidity Facility is not a source of payment of principal of and interest on the 2012 Series B Bonds, but is being undertaken solely to provide a source of funds to the Tender Agent with which to discharge its purchase obligation under the circumstances described above. **A failure by the Corporation to purchase 2012 Series B Bonds when and as required by the Initial Liquidity Facility, if such failure continues for 45 days after written notice thereof given to the Corporation by the Trustee or the holders of not less than 25 percent in principal amount of the Outstanding Bonds, is an Event of Default under the Indenture as described in clause (c) under “Summary of Certain Provisions of the Indenture — Events of Default.”** Nothing herein shall be deemed to limit the Corporation’s right under the Indenture to purchase or redeem Bonds, including tendered but unremarketed 2012 Series B Bonds, from eligible moneys pledged pursuant to the Indenture or to limit the Corporation’s right to purchase or redeem Bonds, including tendered but unremarketed 2012 Series B Bonds, from any other sources available to the Corporation.

The Corporation may provide an Alternate Liquidity Facility in substitution for the Corporation’s obligation to purchase 2012 Series B Bonds pursuant to the Initial Liquidity Facility, and in such event the Initial Liquidity Facility and the Corporation’s obligations thereunder will terminate. **THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2012 SERIES B BONDS ONLY WHEN THEY ARE COVERED BY THE INITIAL LIQUIDITY FACILITY.** See “The Corporation’s Obligation to Purchase 2012 Series B Bonds.”

In the event that the Initial Liquidity Facility terminates and is not to be replaced with an Alternate Liquidity Facility, the 2012 Series B Bonds are subject to mandatory tender and the Corporation may elect to (i) Convert the 2012 Series B Bonds to bear interest at Fixed Interest Rates or an Indexed Rate or (ii) redeem the 2012 Series B Bonds. No Alternate Liquidity Facility will be required in connection with the 2012 Series B Bonds subsequent to the exercise of either of the foregoing options. See “The Corporation’s Obligation to Purchase 2012 Series B Bonds.” **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE THE 2012 SERIES B BONDS SUBSEQUENT TO THEIR CONVERSION TO FIXED INTEREST RATE BONDS OR INDEXED RATE BONDS.**

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, as all bonds of the Corporation currently 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 and unaudited financial statements of the Corporation.

The summaries herein of the Offered Bonds, the Indenture, the Initial Liquidity Facility, the Continuing Disclosure Certificate (defined below) 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 Offered Bonds are, and any Additional Bonds issued under the Indenture will be, general obligations of the Corporation. All Bonds issued under the Indenture rank on a parity with each other. See "Sources of Payment and Security for the Bonds—Additional Bonds." The Corporation's full faith and credit will be pledged for the payment of principal and redemption premium (if any) of and interest on the Offered Bonds, subject to agreements made with the holders of other obligations of the Corporation pledging particular revenues and assets and the prohibition, pursuant to the terms of the Act, on a pledge of funds in the Housing Development Fund.

The Offered Bonds are, and any Additional Bonds issued under the Indenture will be, secured by all assets held in any fund or account except the Unpledged Funds established under the Indenture, subject only to the provisions of the Indenture permitting application thereof for or to the purposes and on the terms and conditions set forth therein, including payment of Program Expenses.

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, *however*, after providing for certain mandatory transfers, including but not limited to the payment of (i) scheduled debt service on the Bonds, (ii) any amount needed to restore the Debt Service Reserve Fund and the Special Reserve Fund to their respective requirements, if any, and (iii) Program Expenses, may, subject to certain optional transfers, be withdrawn free and clear of the lien of the Indenture, but *only* if such withdrawal is reflected in the most recent Bond Coverage Certificate. See "Summary of Certain Provisions of the Indenture—Revenue Fund."

Mortgage Loans

The Indenture authorizes the Corporation to issue Bonds to provide funds to enable the Corporation to acquire mortgage loans (the “Mortgage Loans”) for any type of loan the Corporation is permitted to finance under the Act. Under the Indenture, the Mortgage Loans may be made without regard to the income of the mortgagor or the location within the State of the property being financed, the availability of private mortgage insurance on the mortgaged property, the amount of down payment made on the mortgaged property, or the availability of any insurance or guaranty by any Federal or State agency and may include, subject to certain conditions, loans that are not first-lien mortgage loans to homebuyers (such as multifamily, special purpose or construction loans). The Corporation will limit the amount of Mortgage Loans that are not first-lien mortgage loans to homebuyers to the extent necessary to satisfy Bond Coverage requirements. See “Sources of Payment and Security for the Bonds—Bond Coverage Certificates.”

For a description as of March 31, 2012 of the Transferred Mortgage Loans, see “Acquired Obligations — Mortgage Loans — Transferred Mortgage Loans,” and for certain information as of March 31, 2012 regarding the Collateral Mortgage Loans, see “Acquired Obligations — Mortgage Loans — Collateral Mortgage Loans.” Prior to the transfer of the Transferred Mortgage Loans and the Collateral Mortgage Loans to the Indenture, the principal balances of the Transferred Mortgage Loans and Collateral Mortgage Loans will be reduced by principal prepayments and scheduled principal repayments received, and certain amounts available under the Prior GMRB Indenture will be applied to purchase additional Transferred Mortgage Loans.

It is currently expected that on the date of issuance of the Offered Bonds approximately 33% of all Mortgage Loans by principal balance will consist of Mortgage Loans that are not first-lien loans to homebuyers. Such Mortgage Loans, which include the Collateral Mortgage Loans, will not be considered when determining Bond Coverage (except to show Parity) absent the consent of the Rating Agencies (see “Sources of Payment and Security for the Bonds — Bond Coverage Certificates” below) and the statements relating to Mortgage Loans under the headings “Acquired Obligations — Mortgage Servicing,” “— Standard Homeowner Insurance Policies” and “— Alaska Foreclosure Law” may not apply to such Mortgage Loans (including the Collateral Mortgage Loans).

Certain of the Transferred Mortgage Loans previously were transferred to the Prior GMRB Indenture from prior related indentures that contain requirements regarding the income of the borrower, loan-to-value ratios, primary mortgage insurance or guarantees of the Federal Housing Administration (“FHA”), the Department of Veterans Affairs (“VA”) or Rural Development (formerly the Farmers Home Administration) of the United States Department of Agriculture (“USDA” or “RD”), hazard insurance or similar provisions. No representation is made as to whether or not any Transferred Mortgage Loan satisfies any such requirements. Neither the Corporation nor the Underwriters have reviewed the Transferred Mortgage Loans, and the Corporation is not required to substitute other mortgage loans or repurchase the Transferred Mortgage Loans if such loans do not in fact satisfy such requirements.

The Indenture permits proceeds of Bonds to be used to purchase Mortgage Certificates. However, no Mortgage Certificates are currently held under the Indenture and the Corporation does not currently intend to acquire Mortgage Certificates to be held under the Indenture in the future.

The Federal tax laws applicable to the 2012 Series A Bonds generally provide that the yield on the Transferred Mortgage Loans and Collateral Mortgage Loans allocated to the 2012 Series A Bonds and other 2012 Series A Mortgage Loans financed in the future with amounts allocated to the 2012 Series A Bonds may not exceed the yield on the 2012 Series A Bonds over their term by more than 1.50%, plus the recoupment of various related costs incurred by the Corporation. The same limitations apply to the Refunded Bonds. To date, the yields on the mortgage loans allocated to the Refunded Bonds have exceeded the respective yields on the Refunded Bonds by more than such permissible amount, and it is expected that the Transferred Mortgage Loans and Collateral Mortgage Loans allocated to the 2012 Series A Bonds will likewise initially exceed such limitations. The Corporation will take appropriate actions to comply with the Federal tax laws; the Corporation presently expects that, to the extent necessary, it will finance lower-rate Mortgage Loans with amounts allocated to the 2012 Series A Bonds so that the yield on the related Mortgage Loans calculated over the term of such Bonds results in compliance with the Federal tax law requirements during the period the Bonds remain Outstanding.

Debt Service Reserve Fund

The Indenture provides for a Debt Service Reserve Fund to be held by the Trustee, which is required to be maintained in an amount (the “Debt Service Reserve Fund Requirement”) at least equal to 2% of the sum of (i) the outstanding principal balance of all Mortgage Loans held in the Mortgage Loan Fund (other than Mortgage Loans represented by Mortgage Certificates) and (ii) the amount of assets (other than Mortgage Loans described in (i) above) in the Mortgage Loan Fund; provided, however, that a Supplemental Indenture authorizing the issuance of a Series of Bonds may provide that particular Mortgage Loans or assets in the related Series Account of the Mortgage Loan Fund, or particular subaccounts thereof, shall not be included in such calculation. The 2012 Series A Supplemental Indenture provides that the Collateral Mortgage Loans shall not be included in such calculation.

If two Business Days prior to any Principal Installment Date or Interest Payment Date, the amount on deposit, or to be deposited on such Principal Installment Date or Interest Payment Date, in the Principal Account and the Interest Account is less than the amount required to pay interest on, principal of or sinking fund installments on Outstanding Bonds, any such deficiency is required to be made up with amounts in the Debt Service Reserve Fund or, if insufficient, funds of the Corporation made available by the Corporation or amounts in the Special Reserve Fund or any other Fund or Account (except for the Unpledged Funds). See “Summary of Certain Provisions of the Indenture — Debt Service Reserve Fund.” No amounts will be deposited in the Special Reserve Fund in connection with the issuance of the Offered Bonds.

Amounts on deposit in the Debt Service Reserve Fund are to be invested in Investment Securities.

In connection with the issuance of the Offered Bonds, the Corporation expects to make a deposit of approximately \$4,018,943 to the Debt Service Reserve Fund from amounts transferred to the Indenture from the Prior GMRB Indenture. The amount on deposit in the Debt Service Reserve Fund will be at least equal to the Debt Service Reserve Fund Requirement on the date of issuance of the Offered Bonds.

Special Reserve Fund

The Indenture provides for a Special Reserve Fund to be held by the Trustee, which is required to be maintained in an amount (the “Special Reserve Requirement”) equal to the aggregate of all Special Reserve requirements, if any, established for the Series of Bonds Outstanding in the respective Supplemental Indentures authorizing such Series of Bonds.

No Special Reserve Fund requirement will be established for the Offered Bonds and no amounts will be deposited in the Special Reserve Fund in connection with the issuance of the Offered Bonds.

Amounts in the Special Reserve Fund, if any, are available to pay interest on, principal of or sinking fund installments on Outstanding Bonds as described above under “Debt Service Reserve Fund.”

Bond Coverage Certificates

The Corporation is required to deliver to the Trustee a certificate demonstrating Bond Coverage (as defined under “Summary of Certain Provisions of the Indenture — Certain Definitions”) upon the occurrence of various events under the Indenture, including, but not limited to, (i) the delivery of a Series of Bonds, (ii) the disbursement of amounts from the Mortgage Loan Fund to acquire Acquired Obligations, and (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.”

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 Indenture upon compliance with the provisions thereof, which includes the requirement that no Additional Bonds may be issued under the Indenture without the delivery to the Trustee of a certificate demonstrating Bond Coverage after issuance of such Additional Bonds. Because all Bonds rank on a parity with each other, 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,” “Summary of Certain Provisions of the Indenture—

Provisions for Issuance of Bonds” and “Summary of Certain Provisions of the Indenture—Provisions for Refunding Issues.”

APPLICATION OF FUNDS

In connection with the redemption of the Refunded Bonds and the replacement and refunding of the Refunded Obligations, the Transferred Mortgage Loans, Collateral Mortgage Loans and other assets will be transferred to and become subject to the lien and pledge of the Indenture. Such other assets, the proceeds of the 2012 Series B Bonds and certain amounts contributed by the Corporation are expected to be applied and deposited approximately as follows:

Deposit to Series Account of the Mortgage Loan	
Fund to Purchase Mortgage Loans	\$72,594,685
Deposit to Debt Service Reserve Fund	4,018,943
Payment of Underwriting Fee	1,166,531
Payment of other Costs of Issuance	<u>350,000</u>
TOTAL	<u>\$78,130,159</u>

THE CORPORATION’S OBLIGATION TO PURCHASE 2012 SERIES B BONDS

Pursuant to the Initial Liquidity Facility, the Corporation is required to purchase those 2012 Series B Bonds that are tendered to the Tender Agent but not remarketed by the Remarketing Agent. The Initial Liquidity Facility, and the Corporation’s obligation thereunder to purchase 2012 Series B Bonds, will expire upon (i) the conversion of the interest rate on the 2012 Series B Bonds to Fixed Interest Rates or an Indexed Rate, (ii) the provision of an Alternate Liquidity Facility, or (iii) the maturity of the 2012 Series B Bonds, unless terminated as described herein.

In the event that at 10:00 A.M. New York time three Business Days prior to any Tender and Purchase Date during the term of the Initial Liquidity Facility the amount of funds, if any, theretofore received by the Tender Agent from the Remarketing Agent, together with any interest theretofore paid to the Tender Agent, is less than the aggregate principal amount, plus accrued interest, if any, of the 2012 Series B Bonds to be tendered on such Tender and Purchase Date, the Tender Agent shall thereupon notify the Corporation of such event and of the amount (together with any amount of funds theretofore received by the Tender Agent from the Remarketing Agent and any interest theretofore paid to the Tender Agent) necessary to pay the aggregate principal amount, plus accrued interest, if any, of the 2012 Series B Bonds to be tendered. At 4:00 P.M. New York time on the Business Day immediately preceding such Tender and Purchase Date, if the amount of funds, if any, theretofore received by the Tender Agent from the Remarketing Agent, together with any interest theretofore paid to the Tender Agent, is less than the aggregate principal amount, plus accrued interest, if any, of the 2012 Series B Bonds to be tendered on such Tender and Purchase Date, the Tender Agent shall thereupon notify the Corporation of such event and of the amount (together with any amount of funds theretofore received by the Tender Agent from the Remarketing Agent and any interest theretofore paid to the Tender Agent)

necessary to pay the aggregate principal amount, plus accrued interest, if any, of the 2012 Series B Bonds to be tendered and shall deliver a Draw Notice to the Corporation for such necessary amount, and the Corporation shall by 2:30 P.M. New York time on the Tender and Purchase Date deposit such amount with the Tender Agent from moneys not then pledged under the Indenture. Nothing herein shall be deemed to limit the Corporation's right under the Indenture to purchase or redeem Bonds, including tendered but unremarketed 2012 Series B Bonds, from eligible moneys pledged pursuant to the Indenture or to limit the Corporation's right to purchase or redeem Bonds, including tendered but unremarketed 2012 Series B Bonds, from other sources available to the Corporation. By 4:30 P.M. New York time on such Tender and Purchase Date, the Tender Agent shall apply the amount so deposited, together with any amount of funds made available to the Tender Agent from the Remarketing Agent on such Tender and Purchase Date and any interest paid to the Tender Agent, to the purchase of the 2012 Series B Bonds duly tendered.

The Corporation's obligation to purchase 2012 Series B Bonds pursuant to the Initial Liquidity Facility is not a source of payment for the payment of principal of or interest on the 2012 Series B Bonds. The obligation of the Corporation to deposit moneys with the Tender Agent for the purchase of 2012 Series B Bonds pursuant to the Initial Liquidity Facility is not secured by the funds and assets held under the Indenture. **A failure by the Corporation to purchase 2012 Series B Bonds when and as required by the Initial Liquidity Facility, if such failure continues for 45 days after written notice thereof given to the Corporation by the Trustee or the holders of not less than 25 percent in principal amount of the Outstanding Bonds, is an Event of Default under the Indenture as described in clause (c) under "Summary of Certain Provisions of the Indenture — Events of Default."** No assurance can be given that moneys will be available to the Corporation to purchase tendered 2012 Series B Bonds. **In the event that any 2012 Series B Bond is tendered or deemed tendered for purchase by the Holder thereof and such Bond is unable to be remarketed and the Corporation fails to purchase such Bond, all 2012 Series B 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 2012 Series B Bonds to be remarketed at par). Holders of 2012 Series B Bonds will not have the right to tender such Bonds during such period and may be required to hold such Bonds to their maturity or prior redemption.** The Corporation may establish lines of credit with external providers which may be used to fund any of its obligations, including its obligation to purchase 2012 Series B Bonds pursuant to the Initial Liquidity Facility, but has not covenanted to establish any such lines of credit.

The terms of the Initial Liquidity Facility require the Corporation to maintain the availability of funds, in an aggregate amount at least equal to the outstanding principal amount of the 2012 Series B Bonds plus accrued interest thereon at the Maximum Rate, from the following sources: (i) investments (valued in a manner that does not adversely affect the then-existing ratings on the 2012 Series B Bonds) that are not pledged under the Indenture or pursuant to other bond indentures of the Corporation if the 2012 Series B Bonds would be an eligible investment for the proceeds of the sale of such investments and if such investment in 2012 Series B Bonds would not result in the cancellation of such 2012 Series B Bonds under then-existing State law and (ii) liquidity or credit facilities with financial institutions or other entities which have short-

term ratings which would not adversely affect the then-existing short-term ratings on the 2012 Series B Bonds.

Prior to the conversion (if any) of the interest rate on the 2012 Series B Bonds to Fixed Interest Rates or an Indexed Rate, the Corporation agrees that it shall maintain its obligation to purchase 2012 Series B Bonds pursuant to the Initial Liquidity Facility or furnish one or more Alternate Liquidity Facilities in substitution for such obligation. The 2012 Series B Bonds are subject to mandatory tender for purchase (with no right to retain) in connection with the delivery of an Alternate Liquidity Facility. **THIS OFFICIAL STATEMENT IS INTENDED ONLY TO DESCRIBE 2012 SERIES B BONDS THAT ARE COVERED BY THE INITIAL LIQUIDITY FACILITY.**

On the date on which any Alternate Liquidity Facility is delivered to the Trustee, the Initial Liquidity Facility will automatically terminate without any further action.

THE OFFERED BONDS

General

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

The 2012 Series A 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, as set forth on the inside cover page.

The 2012 Series B Bonds will bear interest from their dated date at the Effective Rate determined by the Remarketing Agent. The 2012 Series B Bonds initially will bear interest at a Weekly Rate. **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE 2012 SERIES B BONDS THAT ARE NOT IN A WEEKLY MODE.** Interest accrued on the 2012 Series B Bonds during a Weekly Mode Period will be computed on the basis of a 360-day year for the number of days actually elapsed.

Any Holder of 2012 Series B Bonds has the option of tendering the Bonds to the Tender Agent in accordance with the provisions of the 2012 Series B Supplemental Indenture as described under “Description of the 2012 Series B Bonds” below. Pursuant to the Initial Liquidity Facility, the Corporation has the obligation to purchase, under certain conditions and from time to time, 2012 Series B Bonds in a Weekly Mode tendered or deemed tendered to the Tender Agent, which tendered 2012 Series B Bonds are not remarketed. For additional information with respect to the 2012 Series B Bonds, see also Appendix D — “Certain Definitions with Respect to the 2012 Series B Bonds.”

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

Special Redemption

Redemption from Unexpended Proceeds. The 2012 Series A Bonds are subject to mandatory redemption at 100% of the original issue price thereof, plus accrued interest, on December 1, 2012, from proceeds of the 2012 Series A Bonds not applied to redeem the Refunded Bonds or applied to replace amounts used to redeem the Refunded Obligations. Amounts available to redeem 2012 Series A Bonds as described in this paragraph may be applied at the direction of the Corporation to any maturity of the 2012 Series A Bonds, *provided* that the ratio of 2012 Series A Bonds maturing June 1, 2040 (“PAC Bonds”) Outstanding to all 2012 Series A Bonds Outstanding immediately following such redemption may not be less than such ratio immediately prior to such redemption.

Redemption from Amounts in the 2012 Series A Special Redemption Account of the Redemption Fund. The 2012 Series A Bonds are subject to redemption at the option of the Corporation at 100% of the principal amount thereof, plus accrued interest, on any date beginning December 1, 2012, from amounts deposited in the 2012 Series A Special Redemption Account of the Redemption Fund. Amounts so available to redeem the 2012 Series A Bonds may be applied at the direction of the Corporation to any maturity of the 2012 Series A Bonds; *provided* that such amounts may be applied to redeem PAC Bonds only if and to the extent that the principal amount of such Bonds Outstanding exceeds the PAC Outstanding Amount (set forth below) for the related period, *unless* otherwise required by the Code or if no other 2012 Series A Bonds remain Outstanding.

Amounts deposited in the 2012 Series A Special Redemption Account of the Redemption Fund as directed by the Corporation are expected to consist primarily of Pledged Receipts in excess of (a) scheduled debt service with respect to all Outstanding Bonds, (b) any amount required to replenish the Debt Service Reserve Fund and the Special Reserve Fund to their respective requirements, if any, and (c) any amount required to fund the payment of Program Expenses. Proceeds of the sale of Acquired Obligations constitute Pledged Receipts and may under certain circumstances be deposited in the Redemption Fund and used to redeem Bonds. See “Summary of Certain Provisions of the Indenture — Mortgage Loan Fund” and “—Corporation’s Programs.” *However*, the Corporation covenants in the 2012 Series A Supplemental Indenture not to redeem 2012 Series A Bonds as described under this subheading “Redemption from Amounts in the 2012 Series A Special Redemption Account of the Redemption Fund” from the proceeds of (i) a voluntary sale of Mortgage Certificates or (ii) a voluntary sale of Mortgage Loans, *unless* such Mortgage Loans are (a) in default, (b) not in compliance with the Corporation’s Program requirements or (c) sold in order to meet the Corporation’s tax covenants. Such voluntary Mortgage Certificate sale proceeds and voluntary Mortgage Loan sale proceeds (*except* from sales of Mortgage Loans described in clauses (a), (b) or (c) of the immediately preceding sentence) may only be used to redeem 2012 Series A Bonds as described below under “Redemption When 2012 Series A Bonds Outstanding are 15% or Less of Initial Amount” and “Optional Redemption.”

Special Mandatory Redemption. The PAC Bonds are subject to mandatory redemption, at 100% of the principal amount thereof, plus accrued interest, from amounts deposited in the 2012 Series A Special Redemption Account of the Redemption Fund or any other source of funds, on each June 1 and December 1, commencing December 1, 2012, in an amount equal to the lesser of (i) prepayments and principal repayments of 2012 Series A Mortgage Loans received as of the 60th day prior to such date (except to the extent needed to pay scheduled principal and sinking fund payments of 2012 Series A Bonds) and (ii) the amount by which the principal amount of PAC Bonds then Outstanding exceeds the PAC Outstanding Amount (set forth below and subject to adjustment as described below) for the related period.

<u>Period Ending</u>	<u>PAC Outstanding Amounts</u>
December 1, 2012	\$21,645,000
June 1, 2013	20,510,000
December 1, 2013	18,845,000
June 1, 2014	16,930,000
December 1, 2014	14,820,000
June 1, 2015	12,655,000
December 1, 2015	10,535,000
June 1, 2016	8,495,000
December 1, 2016	6,540,000
June 1, 2017	4,660,000
December 1, 2017	2,865,000
June 1, 2018	1,180,000
December 1, 2018 and thereafter	0

The PAC Outstanding Amounts are based on assumptions (the “PAC Assumptions”) that include, among other assumptions, receipt of principal prepayments on 2012 Series A Mortgage Loans in an amount equal to 50% percent of the Securities Industry and Financial Markets Association’s (formerly known as the Bond Market Association and prior to that as the Public Securities Association) standard prepayment speed assumption model (“PSA”) for 30-year mortgage loans (as further described below). If PAC Bonds are redeemed as described above under “Redemption from Unexpended Proceeds” (an “Unexpended Proceeds Redemption”), then each PAC Outstanding Amount will be recalculated to be an amount equal to the product of (i) the original PAC Outstanding Amount and (ii) the fraction whose numerator is the remainder of (a) the original principal amount of PAC Bonds less (b) the cumulative principal amount of PAC Bonds redeemed pursuant to all such Unexpended Proceeds Redemptions, and whose denominator is the original principal amount of PAC Bonds.

The PAC Assumptions may differ from the assumptions made in establishing the dates and amounts of the Sinking Fund Payments and maturities of the 2012 Series A Bonds. See “Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses.” The Corporation makes no representation that actual experience will conform to the PAC Assumptions. If actual experience differs from the PAC Assumptions, the principal amount of

PAC Bonds actually redeemed in each semiannual period pursuant to the provision described under this subheading may differ from that derived from the PAC Outstanding Amounts.

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The PSA model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. PSA 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 2012 Series A Mortgage Loans. One hundred percent PSA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100 percent PSA assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate series; *e.g.*, 200 percent PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

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 PAC Bonds will be influenced by, among other factors, the rate at which principal prepayments on 2012 Series A Mortgage Loans are received.

Set forth in the following table are the projected weighted average lives (in years) of PAC Bonds, based upon various rates of prepayment of the 2012 Series A Mortgage Loans expressed as percentages of the PSA standard prepayment model. The numbers set forth in the following table have not been independently verified or audited by a third party and the Corporation does not make any representation or warranty as to the accuracy of such information. The Corporation has made no projections as to the weighted average lives of PAC Bonds at rates of prepayment of the 2012 Series A Mortgage Loans exceeding 500 percent of PSA. The table assumes, among other things, that (i) all Transferred Mortgage Loans are allocated to the 2012 Series A Bonds on August 31, 2012, (ii) all 2012 Series A Mortgage Loans are prepaid at the percentage of PSA indicated on the table, (iii) all prepayments and scheduled principal repayments of 2012 Series A Mortgage Loans are timely received and the Corporation experiences no foreclosure losses thereon, (iv) there will be no optional redemption of 2012 Series A 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, (vi) amounts available under the Indenture to be applied to the special redemption of 2012 Series A Bonds other than PAC Bonds will be applied pro rata to such other 2012 Series A Bonds then Outstanding, and (vii) 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.

<u>Prepayment Speed (expressed as a percentage of PSA)</u>	<u>Projected Weighted Average Life (in years)</u>
0%	17.2
25%	5.4
50%	3.6
75%	3.6
100%	3.6
200%	3.6
300%	3.6
400%	3.6
500%	3.6

The PSA model does not purport to be a prediction of the anticipated rate of prepayment of the 2012 Series A 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 2012 Series A Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment.

Redemption When 2012 Series A Bonds Outstanding are 15% or Less of Initial Principal Amount. The 2012 Series A 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, from any source of funds, if the aggregate principal amount of then Outstanding 2012 Series A Bonds (reduced by any 2012 Series A Bonds otherwise to be redeemed on such date) is less than or equal to 15% of the aggregate initial principal amount of the 2012 Series A Bonds (\$21,883,500).

Sinking Fund Redemption

The 2012 Series A 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:

Sinking Fund Payments					
Date	2012 Series A Term Bonds Maturing December 1, 2027	2012 Series A Term Bonds Maturing December 1, 2032	2012 Series A Term Bonds Maturing December 1, 2037	2012 Series A Term Bonds Maturing June 1, 2040	2012 Series A Term Bonds Maturing December 1, 2040
June 1, 2025	\$2,645,000				
December 1, 2025	2,710,000				
June 1, 2026	2,780,000				
December 1, 2026	2,850,000				
June 1, 2027	2,920,000				
December 1, 2027	2,995,000†				
June 1, 2028		\$3,020,000			
December 1, 2028		3,050,000		\$ 45,000	
June 1, 2029		3,025,000		150,000	
December 1, 2029		3,005,000		255,000	
June 1, 2030		2,980,000		365,000	
December 1, 2030		2,965,000		470,000	
June 1, 2031		2,940,000		585,000	
December 1, 2031		2,920,000		695,000	
June 1, 2032		2,895,000		815,000	
December 1, 2032		2,880,000†		925,000	
June 1, 2033			\$2,905,000	1,045,000	
December 1, 2033			2,890,000	1,160,000	
June 1, 2034			2,870,000	1,285,000	
December 1, 2034			2,855,000	1,405,000	
June 1, 2035			2,830,000	1,540,000	
December 1, 2035			2,815,000	1,665,000	
June 1, 2036			2,795,000	1,800,000	
December 1, 2036			2,785,000	1,925,000	
June 1, 2037			645,000	300,000	
December 1, 2037			645,000†	325,000	
June 1, 2038				360,000	\$ 640,000
December 1, 2038				390,000	635,000
June 1, 2039				420,000	635,000
December 1, 2039				450,000	635,000
June 1, 2040				3,270,000†	630,000
December 1, 2040					3,200,000†

† Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund payments) of Offered 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.

Optional Redemption

The 2012 Series A Bonds maturing on or after December 1, 2021 are subject to redemption at the option of the Corporation at 100% of the principal amount thereof, plus accrued interest, at any time on or after June 1, 2021, in whole or in part, from any source of funds.

The 2012 Series B 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

If the Offered Bonds are redeemed in part by special redemption or optional redemption, the Offered Bonds to be redeemed will be selected as shall be directed by the Corporation. If less than all the Offered Bonds of a particular maturity of a Series are to be redeemed, the particular Offered Bonds to be redeemed will be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion, or on such other basis as shall be directed by the Corporation.

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.

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. Neither failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for redemption.

Description of the 2012 Series B Bonds

See Appendix D for the definitions of certain capitalized terms with respect to the 2012 Series B Bonds.

Interest on the 2012 Series B Bonds

From the date of initial authentication and delivery of the 2012 Series B Bonds to but not including July 19, 2012, the 2012 Series B Bonds will bear interest at the Weekly Rate determined in advance by the Remarketing Agent. Thereafter, 2012 Series B Bonds will bear interest, commencing on the Effective Rate Date (for 2012 Series B 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 2012 Series B 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 2012 Series B 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 taxable 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 2012 Series B 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 2012 Series B 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 taxable interest rate indices); (3) general financial market conditions; and (4) factors particular to the Corporation and the 2012 Series B Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by the 2012 Series B Bonds shall be conclusive and binding on the Holders of such 2012 Series B 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 2012 Series B 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 2012 Series B Bonds will automatically bear interest in a Weekly Mode and such 2012 Series B 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 2012 Series B Bonds is not so determined by the Remarketing Agent for two consecutive Effective Rate Periods, the interest rate on the 2012 Series B Bonds for the next succeeding Effective Rate Period will equal the lesser of the Alternate Rate (as defined below) 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 2012 Series B 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 2012 Series B Bonds in the first two columns:

2012 Series B Bonds Short-Term Rating <u>(S&P/Fitch)</u>		2012 Series B Bonds Long-Term Rating <u>(S&P/ Fitch)</u>	<u>Rate</u>
A-1/F1	and	AAA/AAA	Seven Day LIBOR + 0.05%
A-1/F1	and	AA/AA or better	Seven Day LIBOR + 0.15%
A-1/F1	and	A/A or better	Seven Day LIBOR + 0.25%
A-2/ F2	and	BBB/BBB or better	Seven Day LIBOR + 0.50%
A-3/F3 or below	and	BBB-/BBB- or below	Maximum Rate

If the position of Remarketing Agent is vacant for any reason, the 2012 Series B Bonds will automatically bear interest at the Maximum Rate.

In the event that any 2012 Series B Bond is tendered or deemed tendered for purchase by the Holder thereof and such Bond is unable to be remarketed and the Corporation fails to purchase such Bond, all 2012 Series B 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 2012 Series B Bonds to be remarketed at par).

Optional Tender

Holders of the 2012 Series B Bonds in a Weekly Mode may elect to tender their 2012 Series B 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 2012 Series B 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 2012 Series B Bonds by the Holders thereof will be irrevocable once such notice is given.

The 2012 Series B Bonds will be subject to mandatory tender for purchase as described below.

Mandatory Tender

The 2012 Series B 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 termination 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 2012 Series B Bonds subject to such mandatory tender will be deemed to have tendered their 2012 Series B Bonds upon such date.

Remarketing

On each date on which 2012 Series B Bonds are required to be purchased, the Remarketing Agent shall use its best efforts as described herein to sell such 2012 Series B 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 2012 Series B Bonds so tendered, the Corporation will purchase such Bonds in accordance with the Initial Liquidity Facility. See “The Corporation’s Obligation to Purchase 2012 Series B Bonds.”

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 2012 Series B 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 2012 Series B 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. 2012 Series B Bond certificates will be issued in place of Untendered Bonds pursuant to the Indenture and, after the issuance of the replacement 2012 Series B 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 2012 Series B Supplemental Indenture provides that the Corporation has the option to Convert all or a portion of the 2012 Series B 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 2012 Series B 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. Unless and until such condition for Conversion are satisfied, the 2012 Series B Bonds shall continue to bear interest at the Effective Rate. Upon any Conversion to Fixed Interest Rates or an Indexed Rate, the 2012 Series B Bonds will be subject to mandatory tender for purchase.

Special Considerations Relating to the 2012 Series B 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 2012 Series B 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 2012 Series B 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 2012 Series B Bonds on the Effective Rate Date. Each such rate is required by the 2012 Series B Supplemental Indenture to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the 2012 Series B Bonds at par, plus accrued interest, if any, on the Effective Rate Date. For example, for 2012 Series B 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 2012 Series B 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 2012 Series B 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 2012 Series B 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 2012 Series B Bonds by purchasing and selling 2012 Series B 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 2012 Series B Bonds. Thus, investors who purchase the 2012 Series B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2012 Series B Bonds other than by tendering the 2012 Series B Bonds in accordance with the tender process.

The Remarketing Agent may also sell any 2012 Series B 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 2012 Series B Bonds. If the Remarketing Agent purchases 2012 Series B Bonds for its own account, it may offer those 2012 Series B Bonds at a discount to par to some investors. The purchase of 2012 Series B Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the 2012 Series B Bonds in the market than is actually the case. The practices described above also may result in fewer 2012 Series B Bonds being tendered in a remarketing.

2012 Series B 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 2012 Series B Bonds on the Effective Rate Date. That rate is required by the 2012 Series B Supplemental Indenture to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the 2012 Series B 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 2012 Series B Bonds (including whether the Remarketing Agent is willing to purchase 2012 Series B Bonds for its own account). There may or may not be 2012 Series B Bonds tendered and remarketed on an Effective Rate Date, and the Remarketing Agent may or may not be able to remarket any 2012 Series B Bonds tendered for purchase on such date at par. As an owner of 2012 Series B Bonds, the Remarketing Agent may sell 2012 Series B 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 2012 Series B Bonds at the remarketing price.

The Ability to Sell the 2012 Series B Bonds Other Than through the Tender Process May Be Limited

Investors who purchase the 2012 Series B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2012 Series B Bonds other than by tendering the 2012 Series B Bonds in accordance with the tender process.

The Corporation may fail to purchase such tendered 2012 Series B Bonds when it is obligated to do so pursuant to the Initial Liquidity Facility. In such case, tendered 2012 Series B Bonds would be returned to holders thereof and all 2012 Series B 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 2012 Series B Bonds to be remarketed at par). It is not certain that following a failure to purchase the 2012 Series B Bonds, a secondary market for the 2012 Series B Bonds will develop.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2012 Series B 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 2012 Series B Bonds will bear interest at the rate described in the fifth paragraph under the heading “Description of the 2012 Series B Bonds — Interest on the 2012 Series B Bonds,” and owners optionally tendering their 2012 Series B 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 registered in the name of Cede & Co. (DTC’s partnership nominee) 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 (or Subseries, as applicable) thereof in the aggregate principal amount of 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 a Standard & Poor’s rating of AA+. 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.

Purchases of the 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 the 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 & Co., 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 & Co. or such other DTC 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 the 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. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of a Series (or Subseries, as applicable) 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 & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 & Co., 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 & Co. (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 BONDHOLDER.

DTC may discontinue providing its services as 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 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 2012 Series B Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2012 Series B Bonds by causing the Direct Participant to transfer the Participant's interest in the 2012 Series B Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of 2012 Series B Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2012 Series B Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2012 Series B 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 20th day of the preceding month 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 selection of any Offered Bond for redemption, nor of any Offered Bond so selected for redemption. 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 series, maturity, interest rate 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 Acquired Obligations and other 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 Payments and maturities of the Offered Bonds, the following assumptions, among others, were made by the Corporation:

1. No Additional Bonds will be issued.
2. The 2012 Series B Bonds will bear interest at an assumed fixed rate of 4.0% per annum.
3. The proceeds of the 2012 Series A Bonds will be applied as described above under "Introduction" on the date of issuance of the 2012 Series A Bonds.
4. The proceeds of the 2012 Series B Bonds will be used to acquire approximately \$49,019,600 principal amount of Mortgage Loans by July 11, 2012, with terms of 30 years from origination and a weighted average mortgage loan coupon rate of approximately 3.75% per annum.
5. Transferred Mortgage Loans that as of March 31, 2012 bore interest at the weighted average interest rate and had the weighted average remaining term and outstanding principal balance as described under "Acquired Obligations—Mortgage Loans" will prepay at

approximately 150% PSA until they are transferred to the Indenture and allocated to the 2012 Series A Bonds on August 31, 2012, with an aggregate outstanding principal balance as of such date of approximately \$107,300,000.

6. Excess pledged receipts deriving from the Prior GMRB Indenture will be used to acquire additional Transferred Mortgage Loans with terms of 30 years from origination and a weighted average mortgage loan coupon rate of approximately 3.75%. Such Mortgage Loans will be transferred to the Indenture and allocated to the 2012 Series A Bonds on August 31, 2012, with an aggregate outstanding principal balance as of such date of approximately \$21,000,000.

7. Excess pledged receipts deriving from the Prior GMRB Indenture will be transferred to the Indenture on August 31, 2012 and thereupon used to acquire approximately \$23,600,000 principal amount of additional 2012 Series A Mortgage Loans with terms of 30 years from origination and a weighted average mortgage loan coupon rate of approximately 3.75% per annum.

8. Excess Pledged Receipts related to the 2012 Series B Bonds will be applied to redeem 2012 Series B Bonds.

9. Upon the issuance of the Offered Bonds, the Corporation from its unrestricted general funds will pay costs of issuance with respect to such Bonds as reflected under "Application of Funds."

10. Scheduled principal of and interest on Mortgage Loans will be paid on the first day of the month following the scheduled payment date therefor, and Acquired Obligations will not be prepaid or otherwise terminated prior to maturity (*except* that the Collateral Mortgage Loans were not considered in establishing the dates and amounts of the Sinking Fund Payments and maturities of the Offered Bonds).

11. 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.

12. Amounts in all Funds and Accounts under the Indenture will be invested at an annual rate of 0%.

13. The Servicers will be paid a monthly servicing fee of one-twelfth of $\frac{3}{8}\%$ 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 Acquired Obligations in the Mortgage Loan 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.

ACQUIRED OBLIGATIONS

Mortgage Loans

Transferred Mortgage Loans

As of March 31, 2012, there were Transferred Mortgage Loans with an outstanding aggregate principal balance of \$111,628,600, bearing interest at a weighted average yield to the Prior GMRB Indenture of approximately 4.90% per annum, with a weighted average mortgage loan coupon rate of approximately 5.10% per annum and a weighted average remaining term of 296 months.

The following table sets forth certain information as of March 31, 2012 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.

<u>Type</u>	<u>Outstanding Principal Balance</u>	<u>Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance</u>
Uninsured [†]	\$ 48,077,960	43.07%
FHA Insured	26,105,105	23.38
Private Mortgage Insurance	13,870,677	12.43
HUD 184 Guaranteed	9,474,648	8.49
VA Guaranteed	8,738,078	7.83
RD Guaranteed	<u>5,362,132</u>	<u>4.80</u>
TOTAL	<u>\$111,628,600</u>	<u>100.00%</u>

[†] 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 March 31, 2012 regarding the type of dwellings securing Transferred Mortgage Loans.

<u>Type</u>	<u>Outstanding Principal Balance</u>	<u>Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance</u>
1-Unit Detached Dwellings	\$ 95,039,632	85.14%
2-4 Unit Dwellings	8,536,674	7.65
Condominiums	7,826,700	7.01
Other Multiple-Unit Dwellings	225,594	0.20
TOTAL	<u>\$111,628,600</u>	<u>100.00%</u>

The following table sets forth certain information as of March 31, 2012 regarding the location of the mortgage property securing Transferred Mortgage Loans.

<u>Property Location</u>	<u>Outstanding Principal Balance</u>	<u>Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance</u>
Anchorage	\$ 32,939,664	29.50%
Other	19,747,110	17.69
Fairbanks	9,567,045	8.57
Ketchikan	7,847,089	7.03
Wasilla	7,555,351	6.77
Eagle River	6,440,040	5.77
Juneau	5,860,213	5.25
Kodiak	4,786,569	4.29
Soldotna	4,807,419	4.31
Palmer	4,415,306	3.96
North Pole	4,333,445	3.88
Kenai	2,520,601	2.26
Chugiak	808,748	0.72
TOTAL	<u>\$111,628,600</u>	<u>100.00%</u>

Collateral Mortgage Loans

As of March 31, 2012, there were Collateral Mortgage Loans under the Prior GMRB Indenture financed pursuant to the Corporation's Loans to Sponsor program with an aggregate principal balance of \$16,116,951.49, bearing interest at a rate of 0% per annum.

As of March 31, 2012, there were Collateral Mortgage Loans under the Prior GMRB Indenture financed pursuant to the Corporation's Soft Seconds program with an aggregate principal balance of \$40,454,820.70, bearing interest at a rate of 1.5% per annum, that require principal payments only to the extent of available cash flow from the related housing project.

Mortgage Loan Underwriting

The following description provides certain information concerning the Corporation's current underwriting requirements for single-family Mortgage Loans, including requirements with respect to loan-to-value ratios, loan amounts and primary mortgage insurance. No representation is made as to whether or not the Transferred Mortgage Loans conformed to such current requirements. The Collateral Mortgage Loans did not conform to such requirements. The Corporation's current underwriting requirements for single-family Mortgage Loans may be revised at any time. See "Sources of Payment and Security for the Bonds — Mortgage Loans."

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 "Acquired 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.

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 13 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 at least 10% of the loans purchased from each Lender during each year to assure compliance with AHFC underwriting standards and 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 a copy of the 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 not less than $\frac{3}{8}$ 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 utilize collection and foreclosure prevention techniques during the various stages of delinquency to meet the goal of bringing delinquent Mortgage Loans current in the shortest time possible. The Servicers' collection policies and procedures address loss mitigation methods which include, but are not limited to, working with distressed borrowers on a temporary forbearance of less than or equal to a full payment and/or repayment of the delinquency. The Corporation requires its Servicers to have a collection program to address early payment defaults and to encourage listing the property for sale to avoid foreclosure. Foreclosures are undertaken when it has been determined the borrowers are unable to maintain their mortgage payments. See "Acquired Obligations — Primary Mortgage Insurance." The Servicer is required to pay, from the mortgage payments, taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, as they may become due.

All collected principal and interest payments on the Mortgage Loans are required to be deposited by the Servicer in 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 Mortgage Loan Fund 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 Receipts 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 types of primary mortgage insurance and guarantees (relating to individual Mortgage Loans), and of the Corporation's requirements with respect to such insurance or guarantees for single-family Mortgage Loans, is only a brief outline of current provisions thereof and does not purport to summarize or describe all such current provisions. Although certain of the Transferred Mortgage Loans may originally have been insured by FHA, guaranteed by VA, HUD or RD or insured under a private mortgage insurance policy, no representation is made as to whether or not such insurance or guarantees or the original loan to value ratios with respect to Transferred Mortgage Loans conformed to the following description. 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 RD, 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" currently is 25% of the Freddie Mac conforming loan limit (such limit is currently \$625,500 in Alaska). 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 RD 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 RD 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 RD 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 or guarantor. 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. FHA, HUD, VA and RD servicing rules require servicers to perform loss mitigation techniques to resolve delinquencies. The Servicers' collection policies and procedures address loss mitigation methods which include, but are not limited to, working with distressed borrowers on a temporary forbearance of less than or equal to a full payment and/or repayment of the delinquency. Foreclosures are undertaken when it has been determined the borrowers are unable to maintain their mortgage payments. For those particular borrowers who can no longer afford their mortgage payments, Servicers work with the insurer or guarantor for evaluation and completion of a short sale with the insurer or guarantor participating in the loss.

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 Mortgage Loan Fund contain provisions which permit summary foreclosure. Following a default by the trustor, upon request of the beneficiary and not less than 90 days before the sale, the trustee must record a notice of default in the recording district in which the property is located. Within 10 days of the 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 also be published for at least 45 days preceding the sale on an eligible internet site. 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, an affidavit of publication of the notice and an affidavit of internet publication 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 of the sale. If the judgment debtor redeems the property, title to the property reverts to the debtor. Otherwise, within 60 days after

the order confirming the 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 Clerk's Deed to 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 \$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 and capital project 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, 2011 and March 31, 2012, respectively, and the March 2012 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:

<u>Name</u>	<u>Location</u>
Mr. Franklin C. Roppel Chair	Retired Wrangell, Alaska
Mr. N. Claiborne Porter Vice-Chair	President NCP Design/Build Ltd. Anchorage, Alaska
Mr. Brent Levalley	Senior Vice President Denali State Bank Fairbanks, Alaska
Mr. Marty Shuravloff	Executive Director Kodiak Island Housing Authority Kodiak, Alaska
Mr. Bryan Butcher Commissioner Alaska Department of Revenue	Mr. Bruce Tangeman (designee) Deputy Commissioner Alaska Department of Revenue Juneau, Alaska
Mr. William Streur Commissioner Alaska Department of Health & Social Services	Ms. Alison Elgee (designee) Assistant Commissioner Alaska Department of Health & Social Services Juneau, Alaska
Ms. Susan K. Bell Commissioner Alaska Department of Commerce, Community & Economic Development	Mr. Curtis Thayer (designee) Deputy Commissioner 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.

Michael L. Strand - Acting CFO/Senior Finance Officer. Mr. Strand joined the Corporation in 2001, and previously served as Senior Finance Officer, Finance Officer and Financial Analyst II. Prior to joining the Corporation, he served as a budget analyst for Anchorage Municipal Light and Power and as a financial analyst for VECO Alaska. Mr. Strand is a graduate of the University of Alaska, Anchorage, with Bachelor of Business Administration degrees in finance and economics.

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

Gerard Deta - Finance Officer. Mr. Deta has been with the Corporation since 2001, and previously served as Financial Analyst II. Prior to joining the Corporation, he served as an auditor with Deloitte & Touche LLP. Mr. Deta is a Certified Treasury Professional and a graduate of Southern Utah University with Bachelor of Science degrees in finance and accounting.

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."

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.

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.

Between July 1, 2008 and October 21, 2008, certain of the Corporation's variable rate demand obligations (including Self-Liquidity Bonds) tendered or deemed tendered were purchased upon remarketing and held by the Alaska Housing Capital Corporation ("AHCC"), a subsidiary of the Corporation. No Corporation obligations are currently held by AHCC.

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. Such purchase obligation also arises in connection with the expiration of such facility in the absence of a qualifying substitute therefor. Bonds so purchased and held by third-party liquidity providers will thereupon begin to bear higher rates of interest and be subject to accelerated mandatory redemption by the Corporation, in each case in accordance with and secured by the related indenture.

Between July 1, 2008 and May 26, 2009, certain third-party liquidity providers purchased and held 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 the Corporation's variable rate demand obligations as of March 31, 2012:

<u>Bond Series</u>	<u>Amount Outstanding</u>	<u>Liquidity Provider (or Self-Liquidity)</u>	<u>Facility Expiration Date</u>
Home Mortgage Revenue Bonds, 2007 Series A, B and D	\$239,370,000	Landesbank Baden-Wurttemberg	May 30, 2017
Home Mortgage Revenue Bonds, 2002 Series A	165,160,000	JPMorgan Chase Bank, N.A.	August 11, 2014
Home Mortgage Revenue Bonds, 2009 Series A and B	161,760,000	Self-Liquidity	NA [†]
Governmental Purpose Bonds, 2001 Series A and B	130,915,000	Self-Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2009 Series D	80,870,000	Bank of America, N.A.	August 24, 2014
State Capital Project Bonds, 2002 Series C	60,250,000	Self-Liquidity	NA [†]
Governmental Purpose Bonds, 1997 Series A	<u>14,600,000</u>	Self-Liquidity	NA [†]
	<u>\$852,925,000</u>		

[†] The Corporation's obligation to purchase Self-Liquidity Bonds tendered or deemed tendered remains in effect so long as the related variable rate bonds are outstanding or until a qualifying third-party liquidity facility has replaced it.

The Corporation's financing activities include, in addition to the issuance of Bonds under the Indenture, recurring long-term debt issuances under established bond indentures described below. Such issuances constitute the majority of the Corporation's financing activities.

Mortgage Revenue Bonds and Home Mortgage Revenue Bonds. The Corporation funds its Tax-Exempt First-Time Homebuyer Program with the proceeds of Mortgage Revenue Bonds and Home Mortgage Revenue Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Mortgage Revenue Bonds and Home Mortgage Revenue Bonds. Mortgage Revenue Bonds and 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 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 are also used to finance building purchases that may or may not be secured by lease agreements 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 as of March 31, 2012 regarding bonds issued under the above-described financing programs and the Corporation's General Mortgage Revenue Bonds:

Bonds Issued and Remaining Outstanding by Program

<u>Bond Program</u>	<u>Issued through 3/31/2012</u>	<u>Issued During Nine Months Ended 3/31/2012</u>	<u>Outstanding as of 3/31/2012</u>
Home Mortgage Revenue Bonds	\$1,262,675,000	\$ 0	\$904,900,000
Mortgage Revenue Bonds	1,449,010,353 ^{*†}	229,055,000 [†]	369,175,000
State Capital Project Bonds	680,190,000	0	337,935,000
General Housing Purpose Bonds	811,635,000	0	278,375,000
Veterans Collateralized Bonds	1,900,385,000	0	231,495,000
Housing Development Bonds	570,290,000	0	227,420,000
Governmental Purpose Bonds	973,170,000	0	145,515,000
General Mortgage Revenue Bonds	1,220,245,874	0	145,180,000
Other Bonds	<u>8,335,002,895</u>	<u>0</u>	<u>0</u>
Total Bonds	<u>\$17,202,604,122</u>	<u>\$229,055,000</u>	<u>\$2,639,995,000</u>

* Includes release of proceeds of \$64,350,000 Mortgage Revenue Bonds originally issued in 2009.

† Includes release of proceeds of \$128,750,000 Mortgage Revenue Bonds originally issued in 2009.

Summary of Bonds Issued and Remaining Outstanding

	Issued through <u>3/31/2012</u>	Issued During Nine Months Ended <u>3/31/2012</u>	Outstanding as of <u>3/31/2012</u>
Tax-Exempt Bonds	\$12,667,344,122 ^{*†}	\$200,110,000 [†]	\$2,509,475,000
Taxable Bonds	<u>4,535,260,000</u>	<u>28,945,000</u>	<u>130,520,000</u>
Total Bonds	<u>\$17,202,604,122</u>	<u>\$229,055,000</u>	<u>\$2,639,995,000</u>
Self-Liquidity Bonds [‡]	\$ 725,500,000	\$ 0	\$ 367,525,000

* Includes release of proceeds of \$64,350,000 Mortgage Revenue Bonds originally issued in 2009.

† Includes release of proceeds of \$128,750,000 Mortgage Revenue Bonds originally issued in 2009.

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

The Corporation's financing activities also 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 used 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.

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 as of March 31, 2012 regarding the mortgage loans financed under the above-described lending programs:

Mortgage Purchases by Program

<u>Loan Program</u>	<u>Original Principal Balance of Mortgage Loans Purchased During FY 2010</u>	<u>Original Principal Balance of Mortgage Loans Purchased During FY 2011</u>	<u>Original Principal Balance of Mortgage Loans Purchased During the Nine Months Ended 3/31/2012</u>
Tax-Exempt First-Time Homebuyer	\$ 94,969,235	\$102,721,624	\$ 81,775,078
Taxable Other	40,722,619	80,023,975	64,804,161
Rural	34,662,762	89,106,667	66,221,194
Taxable First-Time Homebuyer	49,989,954	49,934,157	31,362,211
Multi-Family	9,166,900	16,908,700	29,740,450
Veterans Mortgage Program	<u>59,852,725</u>	<u>77,717,901</u>	<u>21,097,240</u>
Total Mortgage Purchases	<u>\$289,364,195</u>	<u>\$416,413,024</u>	<u>\$295,000,334</u>
Streamline Refinance [†]	\$ 15,555,813	\$ 46,293,766	\$ 43,586,284

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

Mortgage Portfolio Summary

	<u>As of 6/30/2010</u>	<u>As of 6/30/2011</u>	<u>As of 3/31/2012</u>
Mortgages and Participation Loans	\$2,979,761,075	\$2,761,295,562	\$2,570,701,919
Real Estate Owned and Insurance Receivables	<u>3,894,386</u>	<u>5,469,821</u>	<u>7,020,626</u>
Total Mortgage Portfolio	<u>\$2,983,655,461</u>	<u>\$2,766,765,383</u>	<u>\$2,577,722,545</u>

Mortgage Insurance Summary[†]

<u>Type</u>	<u>Outstanding Principal Balance as of 3/31/2012</u>	<u>Percentage of Total Mortgage Loans by Outstanding Principal Balance</u>
Uninsured ^{††}	\$1,083,535,755	42.16%
Federally Insured – FHA	591,646,883	23.01
Federally Insured – VA	439,820,129	17.11
Federally Insured – RD	182,263,842	7.09
Private Mortgage Insurance ^{†††}	165,859,622	6.45
Federally Insured – HUD 184	<u>107,575,688</u>	<u>4.18</u>
TOTAL	<u>\$2,570,701,919</u>	<u>100.00%</u>

[†] This table contains information regarding the types of primary mortgage insurance coverage applicable to the Corporation's mortgage loans at their respective originations. No representation is made as to the current status of primary mortgage insurance coverage.

^{††} Uninsured Mortgage Loans represent loans for which the original loan-to-value ratio was not in excess of 80% (90% for loans in rural areas) and insurance coverage was therefore not required. No representation is made as to current loan-to-value ratios.

^{†††} The following table sets forth information with respect to the providers of such private mortgage insurance. 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.

<u>PMI Provider</u>	<u>Outstanding Principal Balance as of 3/31/2012</u>	<u>Percentage of Total Mortgage Loans by Outstanding Principal Balance</u>
Radian Guaranty	\$ 43,101,381	1.67%
CMG Mortgage Insurance	37,674,309	1.47
Mortgage Guaranty	31,778,533	1.24
Genworth GE	28,585,741	1.11
PMI Mortgage Insurance	24,454,241	0.95
Commonwealth	2,615,207	0.10
United Guaranty	430,729	0.02
Republic Mortgage Insurance	<u>219,481</u>	<u>0.01</u>
TOTAL	<u>\$168,859,622</u>	<u>6.57%</u>

Mortgage Delinquency and Foreclosure Summary

	<u>As of 6/30/2010</u>	<u>As of 6/30/2011</u>	<u>As of 3/31/2012</u>
Delinquent 30 Days	2.64%	2.51%	2.57%
Delinquent 60 Days	1.28	1.15	.89
Delinquent 90 Days or More	<u>1.42</u>	<u>1.48</u>	<u>1.58</u>
Total Mortgage Delinquency	<u>5.34%</u>	<u>5.14%</u>	<u>5.04%</u>

	<u>Twelve Months Ended 6/30/2010</u>	<u>Twelve Months Ended 6/30/2011</u>	<u>Nine Months Ended 3/31/2012</u>
Total Foreclosures	\$13,774,776	\$16,824,228	\$11,141,712

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 United States Housing Act of 1937. 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

The following is a summary of revenues, expenses and changes in net assets of the Corporation for each of its five most recent fiscal years, which have been derived from Note 25 to the Corporation's audited annual financial statements dated June 30, 2011, contained in Appendix A — "Financial Statements of the Corporation."

Summary of Revenues, Expenses and Changes in Net Assets
(000's)

	Fiscal Year Ended June 30				
	2011	2010	2009	2008	2007
Total Assets and Deferred Outflows	\$4,542,040	\$4,796,817	\$4,731,425	\$4,946,119	\$4,896,900
Total Liabilities and Deferred Inflows	2,948,221	3,172,826	3,059,314	3,279,948	3,212,428
Total Fund Equity	1,593,819	1,623,991	1,672,111†	1,666,171	1,684,472
Total Operating Revenues	385,695	397,258	355,357	341,847	344,989
Total Operating Expenses	398,606	407,032	333,997	306,534	304,512
Operating Income (Loss)	(12,911)	(9,774)	21,360	35,313	40,477
Contribution to State or State agency	(20,349)	(36,772)	(15,420)	(53,614)	(346,037)
Special Item	3,088	0	0	0	0
Change in Net Assets	(30,172)	(46,546)	5,940	(18,301)	(305,560)

† Does not reflect the FY2010 cumulative effect of accounting change.

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, Chapter 7 SLA 2006 and Chapter 35 SLA 2010 (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 the fiscal year two years prior thereto (the “base fiscal year”) 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.

<u>Fiscal Year</u>	<u>Percentage of Adjusted Change in Net Assets</u>
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 base fiscal year as reflected in the Corporation’s financial statements, adjusted for capital expenditures incurred during such year and, effective June 20, 2010, temporary market value adjustments to assets and liabilities made 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, 2012, 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.

<u>Transfer Type</u>	<u>Pre-FY12</u>	<u>FY12</u>	<u>Total</u>
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	631,653,000	0	631,653,000
Other State Appropriations	302,654,000	0	302,654,000
Non-Housing Capital Projects	318,893,000	6,889,000	325,782,000
Various Bonds’ Proceeds			
Disbursed	<u>312,415,000</u>	<u>807,000</u>	<u>313,222,000</u>
Total Transfers	<u>\$1,962,015,000</u>	<u>\$7,696,000</u>	<u>\$1,969,711,000</u>

Corporation Budget Legislation

The Corporation's fiscal year 2012 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2011 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 2012 operating budget estimated that \$23,115,600 would be available from net income for payment of debt service and appropriation for capital projects.

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 101)

"Acquired Obligation" means (a) any Mortgage Loan credited or to be credited to a Fund or Account pursuant to the Indenture or any Supplemental Indenture authorizing the issuance of a Series of Bonds, (b) any Collateral Mortgage Asset that has been released from the lien of its Prior Indenture and is credited or to be credited to a Fund or Account pursuant to the Indenture or any Supplemental Indenture, or (c) any Mortgage Certificate that (i) represents an Acquired Obligation described in (a) or (b) of this definition and (ii) is credited or to be credited to any Fund or Account pursuant to the Indenture or any Supplemental Indenture authorizing the issuance of a Series of Bonds.

"Appreciated Amount" means, with respect to a Deferred Interest Bond, (i) as of any date of computation with respect to any Deferred Interest Bond up to the date, if any, set forth in the Supplemental Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable Interest Payment Dates, an amount equal to the initial principal amount of such Deferred Interest Bond plus the interest accrued on such Deferred Interest Bond from the date of original issuance of such Deferred Interest Bond to the applicable Interest Payment Date next preceding the date of computation or the date of computation if an applicable Interest Payment Date, such interest amount to accrue at the rate per annum set forth in the Supplemental Indenture authorizing such Deferred Interest Bonds, compounded on each applicable Interest Payment Date, plus, if such

date of computation shall not be an applicable Interest Payment Date, a portion of the difference between the Appreciated Amount as of the immediately preceding applicable Interest Payment Date (or the date of original issuance if the date of computation is prior to the first applicable Interest Payment Date succeeding the date of original issuance) and the Appreciated Amount as of the immediately succeeding applicable Interest Payment Date, calculated based upon an assumption that the Appreciated Amount accrues in equal daily amounts on the basis set forth in the Supplemental Indenture authorizing such Deferred Interest Bond; and (ii) as of any date of computation on and after the date, if any, set forth in the Supplemental Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable Interest Payment Dates, the Appreciated Amount as of such current interest payment commencement date.

“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 Eligible Funds (including assets that are anticipated to be transferred to any Fund specified in the applicable Supplemental Indenture from any Prior Indentures as described in the following sentence but not including Eligible Funds to be derived from any Mortgage Loan that is not secured by a Mortgage constituting a first lien on the property encumbered by such Mortgage) which are in any Fund sufficient and available to provide timely payment of the principal of and interest on the Bonds on each Payment Date and Program Expenses, up to the amount permitted to be paid out of the Revenue Fund 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. To the extent that satisfaction of the requirement of the preceding sentence requires application of amounts from a Prior Indenture, the Corporation shall include as part of the Certificate described in the preceding sentence a schedule showing the availability of such amounts for transfer in accordance with the terms of such Prior Indenture when and as scheduled in such Certificate and the Corporation shall attach to such Certificate such cash flow projections (based upon the assumptions described in this definition) as may be necessary to demonstrate such availability of such assets. For purposes of the first sentence of this paragraph (a), the Corporation shall not include Eligible Funds to be derived from Residential Housing that is intended to provide housing for more than four families unless the Corporation has first obtained a letter from each Rating Agency stating that the inclusion of Eligible Funds to be derived from such Residential Housing is acceptable to such Rating Agency. In each case the Certificate must show sufficient funds under each of the following sets of assumptions and assume the redemption of Bonds in accordance with all applicable 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 or other assets anticipated to be available pursuant to a Collateral Pledge;
- (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 and other assets anticipated to be available pursuant to a Collateral Pledge 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 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 Certificate and Loan 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 Supplemental Indenture authorizing the issuance of such Bonds, 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 Supplemental Indenture authorizing the issuance of such Bonds or as set forth in an Authorized Officer's Certificate consistent with the related Supplemental Indenture authorizing the issuance of such Bonds. The Corporation may, in its discretion, establish Pledged Mortgage Groupings in accordance with the Indenture for purposes of calculating Bond Coverage under this definition.

"Cash Equivalent" means a letter of credit, insurance policy, surety, guarantee or other security arrangement (a) provided by an institution (which may include the Corporation) which has received a rating of its claims-paying ability or unsecured long-term debt rating from each Rating Agency then rating the applicable Series of Bonds at least equal to the then-existing rating on such Series of Bonds or whose unsecured debt securities are rated at least the then-existing rating on such Series of Bonds (or the highest rating of short-term obligations if the Cash Equivalent is a short-term instrument) by such Rating Agency or (b) otherwise of Rating Quality.

"Collateral Mortgage Asset" means any asset that is the subject of a Collateral Pledge.

"Collateral Pledge" means a pledge by the Corporation with respect to all assets, or any identified portion of the assets, released or to be released to the Corporation from the lien and pledge of any Prior Indenture pursuant to which the Corporation (i) pledges such assets as security for the Bonds when and as such assets are released from such Prior Indenture and delivered to, or upon the order of, the Corporation and (ii) agrees to deliver such assets upon their release from the Prior Indenture directly to the Trustee for deposit in the Revenue Fund and

covenants to so deliver such assets or to take such steps as may be available to the Corporation to cause such assets to be so delivered to the Trustee; the specific assets to be included in a Collateral Pledge shall be identified in the Supplemental Indenture authorizing the issuance of Bonds.

“Deferred Interest Bond” means any Bond designated as such by the Supplemental Indenture authorizing the issuance of such Bond but shall not include any such Bond from and after the date, if any, on which such Bond will bear interest that is payable to the holder of such Bond prior to its scheduled maturity.

“Eligible Funds” (a) means any Pledged Receipts or any moneys or Investment Securities which are at any time on deposit in any Fund (except the Unpledged Funds), or (b) has such other meaning as may be established by a Supplemental Indenture authorizing the issuance of a Series of Bonds.

“Investment Agreement” means a guaranteed investment contract which may be entered into between the Corporation or the Trustee and any major insurance company, bank (including any foreign bank with a branch or agency organized or licensed under the laws of the United States or any state thereof, but only if the investment contract with such foreign bank is accompanied by an opinion of counsel admitted in the foreign jurisdiction of the corporate headquarters of said foreign bank to the effect that such investment contract is valid and enforceable under the laws of such foreign jurisdiction, and including the Trustee) or other corporation having outstanding unsecured obligations rated at least AA-/A-1 or equivalent by each Rating Agency; provided that any Investment Agreement also: (i) shall clearly state the exact entity of the obligor, the value of invested funds guaranteed, the fixed or determinable rate of guaranteed interest, and the termination date (revision in any of these terms requiring either approval of 100% of the Bondholders, notification of the Rating Agencies or original document language setting forth minimum standards for extensions, substitutions or other terms); (ii) shall contain either an unconditional, irrevocable obligation to pay by the obligor and be written in favor of the Trustee or provision for collateralization at a level acceptable to the Rating Agencies; (iii) shall not be cancelable for failure to cover any fees or premiums from an unrated source and its enforceability shall be warranted; (iv) shall provide that demands for funds be honored upon not more than fourteen days’ notice (or such other notice as set forth in the second following sentence) and be credited to the Trustee in immediately available funds; (v) shall permit requests consistent with the Bond terms including all Bond payment dates and redemptions; (vi) shall clearly establish the basis for compounding or computation, and provide that all guaranteed interest accrue to the Bond payment date; (vii) shall provide that failure to meet surety, collateral or other provisions, if any, will result in acceleration of the agreement or assumption by an entity of Rating Quality; (viii) shall provide for written reports to the Trustee on no less than a monthly basis as to the amount held under the Investment Agreement and the interest earned thereon during the reporting period; and (ix) shall be terminable by the Trustee upon the written direction of the Corporation if necessary to preserve the tax-exempt status of the Bonds; provided, however, that in lieu of any and all the provisions of this definition, an Investment Agreement shall be of Rating Quality. In the event that any Investment Agreement is entered into and has a term greater than one year, the Corporation shall promptly notify the Rating Agencies of such entry, identifying the parties thereto. The Trustee shall provide the party entering into an Investment Agreement with the Corporation with written notice (x) at least

one Business Day prior to the date of withdrawal of principal amounts under the Investment Agreement (i) to purchase Bonds which are subject to a tender or put provision and which have not been remarketed by the date of purchase pursuant to such tender or put provision or (ii) as necessary upon the receipt of written instructions from the Corporation to preserve the exclusion of interest on the Bonds from Federal income taxation, and (y) not later than the day the Trustee is required to provide Bondholders with notice in connection with a partial redemption of the Bonds or conversion of the Bonds to a Fixed Rate.

“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 and includes any of the following investments, if and to the extent the same are at the time legal investments by the Corporation of the funds to be invested therein:

(1) direct obligations of or obligations insured or guaranteed by the United States of America or agencies or instrumentalities of the United States;

(2) demand and time deposits with, negotiable certificates of deposit of, or banker’s acceptances issued by any bank or trust company the unsecured short-term obligations of which are rated A-1+ or equivalent by each Rating Agency and which is (i) incorporated or organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or (ii) a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or (iii) a foreign bank having a long-term issuer credit rating of at least AA+ or equivalent from each Rating Agency;

(3) 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) above, 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 the Trustee or any other bank or trust company (acting as principal) that meets the requirements for such entities as described in paragraph (2) above;

(4) 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 of AA+ or equivalent from each Rating Agency and which evidence a debt of any

corporation incorporated or organized under the laws of the United States of America or any state thereof; 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 Acquired Obligations and Investment Securities held under the Indenture;

- (5) commercial paper rated A-1+ or equivalent by each Rating Agency;
- (6) an Investment Agreement;
- (7) money market funds rated AA+m or equivalent by each Rating Agency;
- (8) any other investment that is of Rating Quality and that is not unacceptable to the Trustee.

“Mortgage” means a mortgage deed, deed of trust or other instrument securing a Mortgage Loan.

“Mortgage Certificate and Loan Assumptions” means and includes the following assumptions, or any other set of assumptions that is of Rating Quality, 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 Acquired Obligations are funded to the receipt date of (a) 50 days for each GNMA I Certificate and each Gold FHLMC PC held in the Mortgage Loan Fund, (b) 60 days for each GNMA II Certificate held in the Mortgage Loan Fund, (c) 60 days for each FNMA MBS held in the Mortgage Loan Fund, and (d) 90 days for Mortgage Loans not represented by a Mortgage Certificate; (2) payment when due of applicable servicing and guarantee fees to GNMA, FNMA, and FHLMC; (3) use of money in the Mortgage Loan Fund which has not been expended for the purchase of Acquired 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 Eligible 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 or as otherwise provided in the applicable Supplemental Indenture.

“Mortgage Loan” means a loan for construction, improvement, or acquisition of Residential Housing or to refinance such a loan or otherwise relating to Residential Housing and, in all events, secured by a Mortgage or an instrument backed by a pool of such loans and containing such repayment provisions as the Corporation may permit.

“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:

- (a) Any Bonds canceled by the Corporation or the Trustee at or prior to such date;

(b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust under the Indenture and set aside moneys or Investment Securities that are either direct obligations of the United States or of agencies or instrumentalities thereof that are guaranteed by the United States, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited at the same time, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date (whether at or prior to the maturity or redemption date) and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

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

(d) Bonds deemed to have been paid as described below in the second paragraph under “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 Unpledged Funds and the Special Reserve Fund) which, when added to the amount of all Collateral Mortgage Assets that the Corporation anticipates to be available for transfer to the Indenture from any Prior Indenture, is 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 Unpledged Funds and the Special Reserve Fund) which, when added to the amount of all Collateral Mortgage Assets that the Corporation anticipates to be available for transfer to the Indenture from any Prior Indenture, is at least equal to 100% of Bonds then Outstanding.

“Pass-Through Rate” means (A) with respect to an Acquired Obligation that is not included in a Pledged Mortgage Grouping and is not represented by a Mortgage Certificate, the stated interest rate thereof; (B) with respect to each Pledged Mortgage Grouping that includes any Acquired Obligation with a Pass-Through Rate (as determined in (A)) less than the Weighted Average Bond Rate, the lowest Pass-Through Rate of any Acquired Obligation in such Pledged Mortgage Grouping; (C) with respect to each Pledged Mortgage Grouping for which each Acquired Obligation has a Pass-Through Rate (as determined in (A)) at least equal to the Weighted Average Bond Rate, the weighted average of the Pass-Through Rates of the Acquired Obligations in the Pledged Mortgage Grouping; and (D) with respect to each Mortgage Certificate, that rate of interest, net of the servicing and guarantee fees payable to the guarantor, stated on such Mortgage Certificate the receipt of which is guaranteed to the holder of such Mortgage Certificate; provided, however, that, for purposes of any Bond Coverage Certificate if the interest rate stated on a Mortgage Certificate or other Acquired Obligation is greater than or equal to the Weighted Average Bond Rate as of the date of certification, such interest rate shall instead be assumed to be such Weighted Average Bond Rate and for all other Mortgage Certificates and Acquired Obligations, the Pass-Through Rate of each such Mortgage Certificate

or other Acquired Obligation shall equal the average of the Pass-Through Rates (as defined apart from this proviso and subject to the further proviso in this sentence) of such other Mortgage Certificates and other Acquired Obligations (weighted to reflect the principal amounts of such Mortgage Certificates and other Acquired Obligations) purchased to date; and provided, further that for purposes of determining the Pass-Through Rate of a Mortgage Certificate or other Acquired Obligation and for all other purposes under the Indenture, amounts assumed, pursuant to a Certificate described in the following sentences, to be withdrawn from a Pass-Through Rate Supplement Account shall be treated and considered as interest earned or to be earned on the Mortgage Certificate or other Acquired Obligation for which such Pass-Through Rate Supplement Account was created. The Corporation shall deliver to the Trustee a Certificate setting forth amounts to be withdrawn on a monthly basis from each Pass-Through Rate Supplement Account. Such Certificate may provide for withdrawals of earnings, if such earnings are calculated, on amounts deposited in Pass-Through Rate Supplement Accounts but must use the applicable Investment Assumptions to establish the amount of such earnings. The Corporation may prepare alternative Certificates from time to time for the purposes described in the preceding two sentences, but each such alternative Certificate must use the applicable Investment Assumptions to determine the amount of earnings, if such earnings are calculated, on amounts deposited in a Pass-Through Rate Supplement Account that are to be withdrawn each month from such Pass-Through Rate Supplement Account.

“Permitted Encumbrances” means liens, encumbrances, reservations and other imperfections of title as, in the judgment of the Corporation, shall not materially impair the use or value of the premises or as to which appropriate steps, in the judgment of the Corporation, have been taken to secure the interest of the Corporation.

“Pledged Mortgage Grouping” means a group of Mortgage Loans that are not represented by Mortgage Certificates and that are to be deposited with the Trustee into groupings based on the interest rates of the Mortgage Loans. The Acquired Obligations in a Pledged Mortgage Grouping may bear interest at a range of rates selected by the Corporation, and the Corporation may treat all Acquired Obligations bearing interest within such range as part of such Pledged Mortgage Grouping for purposes of any Bond Coverage Certificate. In calculating Bond Coverage, the Corporation shall assume that all Acquired Obligations have maturities equal to the maturity of the Acquired Obligation in such Pledged Mortgage Grouping having the latest maturity date at the time of such calculation and a Pass-Through Rate equal to the Pass-Through Rate for the Pledged Mortgage Grouping.

“Pledged Receipts” means all payments (including prepayments) of principal and interest called for by any Acquired Obligation (other than payments with respect to Acquired Obligations in the Special Reserve Fund) and paid to the Corporation from any source, including both timely and delinquent payments with late charges, fees and charges and all other revenues and income paid to the Corporation on account of or in connection with any Acquired Obligation and, upon receipt thereof by the Corporation, all interest earned or gain realized upon the investment or deposit of amounts in any Fund or Account, but shall not include (i) any amount retained by any Servicer of any Acquired Obligation (other than the Corporation) as compensation for services rendered, (ii) Escrow Payments and any payments of ground rents, taxes, assessments or mortgage, fire or other hazard insurance premiums called for by any Acquired Obligation or any like payments, (iii) all payments on any amounts in the Special Reserve Fund or (iv) interest

earned or gains realized on investments which the Indenture requires to be retained in a particular Fund or Account.

“Prior Indenture” means any indenture (other than the Indenture or any Supplemental Indenture) or resolution securing an issue of the Corporation’s bonds.

“Program Expenses” means all the Corporation’s expenses in carrying out and administering the Program and shall 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 and expenses, the fees and expenses of the Trustee, any Credit Enhancement Agency, any Liquidity Facility Provider, the Depositaries and the Paying Agents, Costs of Issuance not paid from proceeds of Bonds, and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Program.

“Rating Agencies” means any national securities rating service requested by the Corporation to rate the Bonds and which, at the time of consideration, provides a published rating for the Bonds.

“Rating Quality” means, with respect to any Series of Bonds, having terms, conditions and/or a credit quality such that the item stated to be of “Rating Quality” will not, as confirmed in writing received by the Trustee from each of the Rating Agencies, impair the ability of the Corporation to obtain the ratings initially from the Rating Agencies anticipated to be received with respect to such Bonds as described in the Supplemental Indenture authorizing such Bonds and, if the Bonds have been rated, will not cause any such Rating Agency to lower or withdraw the rating it has assigned to the Bonds.

“Residential Housing” means dwelling accommodations without limitation as to form of lawful occupancy, whether rental, under contract, fee ownership, cooperative housing, condominium or other lawful forms of ownership, including such other nonhousing facilities as may be incidental or appurtenant thereto, and may include housing for such other purposes as the Corporation considers appropriate and as may be within the power of the Corporation to finance.

“Scheduled Payments,” as set forth in a Bond Coverage Certificate, means the scheduled payments (assuming no prepayments) of principal of and interest (at the Pass-Through Rate) on the Acquired Obligations then held under the Indenture or assumed to be held under the Indenture for purposes of such Bond Coverage Certificate.

“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.

“Unpledged Funds” means the Rebate Fund and any Account within either a Credit Enhancement Fund or a Liquidity Fund that is used exclusively to reimburse the Credit Enhancer or Liquidity Facility Provider for amounts advanced or expended by such Credit Enhancer or Liquidity Facility Provider pursuant to the terms of the Credit Enhancement or Liquidity Facility.

“Weighted Average Bond Rate” means, for purposes of determining the Pass-Through Rate of any Acquired Obligation, the weighted average interest rate of all Outstanding Bonds using, for purposes of such Bonds that bear interest at a variable rate, the weighted average interest rate of such Bonds to calculate the Weighted Average Bond Rate.

Indenture to Constitute Contract (Section 202)

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

Provisions for Issuance of Bonds (Sections 204 and 206)

The Indenture authorizes Bonds to be issued from time to time without limitation as to amount except as provided in the Indenture or as may be limited by law, subject to the terms, conditions and limitations established by the Indenture. The Bonds of a Series are to be executed by the Corporation and delivered to the Trustee for authentication and then delivered to the Corporation 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 written order as to authentication and delivery of such Bonds, signed by an Authorized Officer;

(iii) an executed original of the Supplemental Indenture authorizing such Series;

(iv) the amount of the proceeds of such Series to be deposited in any Fund or Account held by the Trustee pursuant to the Indenture;

(v) 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;

(vi) a Bond Coverage Certificate;

(vii) written verification from the Rating Agencies that the issuance of such Series of Bonds will not, in and of itself, cause a withdrawal or reduction in the rating assigned by the Rating Agencies to any Outstanding Bonds of any prior Series;

(viii) if such Series of Bonds is to have the benefit of a Liquidity Facility or be secured by Credit Enhancement, the executed Liquidity Facility or Credit Enhancement or evidence that all conditions precedent to the issuance of such Liquidity Facility or Credit Enhancement have been met as of the date of issuance of such Series of Bonds; and

(ix) such further documents and moneys as are required by the provisions of the Indenture or any Supplemental Indenture.

Provisions for Refunding Issues (Section 207)

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 (1) the documents and money referred to in clauses (i) - (ix) under “Provisions for Issuance of Bonds” above; (2) irrevocable instructions to the Trustee to give notice of the redemption of all Bonds to be refunded on a redemption date specified in such instructions; and (3) either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the redemption date or (ii) Investment Securities, that are either direct obligations of the United States or of agencies or instrumentalities thereof that are guaranteed by the United States, which will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest.

Application of Bond Proceeds and Other Amounts (Sections 401 and 402)

As soon as practicable upon the delivery of each Series of Bonds, other than Refunding Bonds, the amount necessary to meet the Debt Service Reserve Fund Requirement is required to be deposited in the Debt Service Reserve Fund and the amount, if any, required by the Supplemental Indenture authorizing such Series to be deposited in the Interest Account shall be deposited therein. Proceeds of such Series of Bonds which are not to be deposited in the Debt Service Reserve Fund or in the Interest Account applicable to such bonds or otherwise deposited as provided in such Supplemental Indenture are to be deposited in the Mortgage Loan Account, or otherwise to the Mortgage Loan Fund.

No amount in the Mortgage Loan Fund shall be applied to the financing of a Mortgage Loan, unless the Mortgage securing such Mortgage Loan has been executed and recorded in accordance with existing laws. Each Mortgage Loan shall constitute a valid lien, subject only to Permitted Encumbrances, on real estate in fee simple or on a leasehold having a remaining term, at the time such Mortgage is acquired, which does not expire for such number of years as the Corporation shall determine to be appropriate to secure the Corporation’s interest in the premises and be a Mortgage Loan for Residential Housing.

Establishment of Funds and Accounts (Section 502)

The Indenture establishes the following Funds and Accounts which are to be held by the Trustee:

- (i) Mortgage Loan Fund;

- (a) Mortgage Loan Account or Accounts;
 - (b) Pass-Through Rate Supplement Accounts;
 - (c) Collateral Mortgage Asset Account;
- (ii) Revenue Fund;
- (iii) Debt Service Fund;
 - (a) Interest Account;
 - (b) Principal Account;
- (iv) Redemption Fund;
 - (a) General Redemption Account;
 - (b) Special Redemption Accounts;
- (v) Debt Service Reserve Fund;
- (vi) Rebate Fund;
 - (a) Rebate Accounts; and
- (vii) Special Reserve Fund.

Mortgage Loan Fund (Section 503)

Except to the extent applied to the redemption of Bonds, amounts in the Mortgage Loan Fund shall be expended only (i) to redeem bonds of the Corporation or to reimburse the Corporation for such redemption or to pay the cost of financing Acquired Obligations (the acquisition of which requires compliance with Bond Coverage requirements), (ii) to fund the Pass-Through Rate Supplement Account, (iii) to pay reasonable and necessary Costs of Issuance, (iv) to make deposits into the Principal Account, or (v) to pay the principal or Redemption Price, if any, of and the interest on the Bonds when due. At the direction of the Corporation the Trustee may transfer amounts in any Mortgage Loan Fund to the Redemption Fund or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds shall be subject to redemption or payment from such amounts.

Revenue Fund (Section 504)

All Pledged Receipts are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Revenue Fund. Not later than the last day of each month, the Trustee is required to make payments from the Revenue Fund as follows:

FIRST: To the Rebate Fund, the amount required to be transferred therein pursuant to the terms of the Indenture.

SECOND: To the Interest Account, the amount necessary to increase the amount in such Account so that it equals unpaid interest on the Outstanding Bonds (other than Deferred Interest Bonds) accrued and to accrue to the last day of the then current month.

THIRD: To the Principal Account, the Accrued Principal Installment Amount for such month.

FOURTH: To the Debt Service Reserve Fund, the amount, if any, necessary to cause the amount in such Fund to equal the Debt Service Reserve Fund Requirement.

FIFTH: To the Corporation for the payment of Program Expenses or the establishment of reserves therefor, the amount needed and required prior to the tenth day of the next succeeding month, to pay reasonable and necessary Program Expenses in accordance with the Annual Budget (or upon the written direction of the Corporation until adoption of such Annual Budget).

SIXTH: To the Special Reserve Fund, the amount, if any, necessary to cause the amount in such Fund to equal the Special Reserve Requirement.

SEVENTH: To the Redemption Fund as directed in writing by the Corporation or as required in the Indenture or in any Supplemental Indenture authorizing the issuance of a Series of Bonds (see “The Offered Bonds — Redemption — Special Redemption”).

Immediately prior to the making of the payments described above, in each month the Trustee shall, to the extent required by the most recent Bond Coverage Certificate filed with the Trustee, deposit in the Debt Service Fund the amount so required from any Fund or Account identified by the Corporation (other than any Unpledged Fund) or from Eligible Funds delivered to the Trustee by the Corporation.

The Trustee is authorized (i) to permit the withdrawal by the Corporation, immediately following the payments required above, of any amount remaining in the Revenue Fund free and clear of any lien or pledge created by or pursuant to the Indenture, for any lawful purpose of the Corporation consistent with the provisions set forth in the Indenture, but only upon receipt from the Corporation of a Certificate stating that no Event of Default exists under the Indenture, (ii) to transfer such amount to the Mortgage Loan Fund, to be used for the purposes of the Mortgage Loan Fund as described above, or (iii) to transfer such amount to the Redemption Fund for redemption of Bonds as may be permitted by the applicable supplemental indenture. A transfer as described in clause (ii) for the purpose of acquiring an Acquired Obligation or a transfer as described in clause (i) requires delivery to the Trustee of a Bond Coverage Certificate.

Debt Service Fund (Section 505)

The Trustee is directed to pay from the Interest Account (i) on or before each Interest Payment Date, the amounts required for the payment of interest due on the Outstanding Bonds on such date, (ii) on or before the redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, and (iii) on any date on which Bonds are subject to mandatory tender for purchase by the Corporation pursuant to a Supplemental Indenture and other funds are unavailable to pay the interest portion of the purchase price therefor the amounts required to pay such interest portion. In each such case, such amounts shall be applied to such payments or to the reimbursement of any Credit Enhancer for any such payments made by such Credit Enhancer. The Trustee is further directed to pay from the Principal Account on or before each Principal Installment Date the amount, if any, required for the payment of principal of the Bonds due on such date, and such amounts shall be applied to such payments or to reimbursement of the Credit Enhancer, if any, for any such payments made by the Credit Enhancer. In addition, the amount accumulated in the Principal

Account for a Sinking Fund Payment (if any) may and, if directed by the Corporation, is required to be applied by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment to the purchase or redemption of Bonds of the Series and maturity for which such Sinking Fund Payment was established at prices not exceeding the Redemption Price which would be payable for such Bonds upon redemption by application of such Sinking Fund Payments plus unpaid interest accrued to the date of purchase. Upon any such purchase or redemption there will be credited toward such Sinking Fund Payment the principal amount of such Bonds so purchased or redeemed. If the amount so credited exceeds the amount of such Sinking Fund Payment, there will be credited toward each other Sinking Fund Payment thereafter to become due on Bonds of the same Series and maturity an amount bearing the same ratio to such other Sinking Fund Payment as such excess bears to the total amount of all such other Sinking Fund Payments to be credited. If, however, there are filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments with any such excess or if the Supplemental Indenture authorizing the issuance of such Bonds specifies such different method, then such Sinking Fund Payments will be credited as provided in such instructions or in such Supplemental Indenture.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment reduced by crediting thereto the principal amount of Bonds purchased or redeemed as described above. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Principal Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Redemption Fund (Section 506)

There are to be deposited in the General Redemption Account and in the Special Redemption Accounts any amounts required to be deposited therein by the Indenture or any Supplemental Indenture and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of the Indenture or of any Supplemental Indenture requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee is required to apply the amounts deposited in any Special Redemption Account to the purchase or redemption (or to the reimbursement of the Credit Enhancer, if any, for payment of such purchase or redemption by such Credit Enhancer) of any of the Bonds of the Series with respect to which such Account was created at the time and in the manner provided in the Indenture and Supplemental Indenture authorizing the issuance of such Bonds and amounts in the General Redemption Account are to be applied to the purchase or redemption of Bonds at the option of the Corporation. Prior to the forty-fifth day upon which Bonds are to be redeemed from such amounts, the Trustee may apply amounts in any Account within the General Redemption Account or any Special Redemption Account to the purchase of any such Bonds, except that the Corporation may require or prohibit such purchases. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased may not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing the issuance of such Bond on any date within thirteen months after such purchase in which event such purchase price may not exceed the highest Redemption Price payable on any

due date upon the redemption of such Bond. In the event the Trustee is able to purchase a principal amount of Bonds equivalent to the sum of the deposits to any Account in the Redemption Fund at a purchase price less than the sum of such deposits to such Account, excluding the applicable transfers from the Interest Account, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee will transfer the balance of moneys remaining in such Account to, and deposit the same in, the Revenue Fund.

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in any Special Redemption Account, there will be credited toward each such Sinking Fund Payment thereafter to become due an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there are filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds or if the Supplemental Indenture authorizing the issuance of such Bonds specifies such different method, then such Sinking Fund Payments will be credited as provided in such instructions or in such Supplemental Indenture. Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the General Redemption Account, the principal amount of the Bonds so purchased or redeemed will be credited against such future Sinking Fund Payment in such manner as the Corporation may direct.

On or before the redemption date, the Trustee is required to pay from the applicable Account within the Redemption Fund the amounts required for the payment of the Redemption Price on any Bonds to be redeemed. When none of the Bonds of the Series relating thereto remain Outstanding, a Special Redemption Account will be closed and the amounts therein will be withdrawn and deposited in the Revenue Fund. Except for amounts required to be retained therein for the redemption of Bonds for which notice of redemption has been given or for which the Trustee has received irrevocable instructions to give such notice on a future date, amounts in any Account in the Redemption Fund may be transferred to the Principal Account at the written request of an Authorized Officer of the Corporation.

Debt Service Reserve Fund (Section 507)

If two Business Days prior to any Principal Installment Date or Interest Payment Date the amounts on deposit in the Principal Account or the Interest Account are less than the amounts required for the payments due on such date, the Trustee is required to apply amounts from the Debt Service Reserve Fund to the extent required to make good the deficiency. If on any Redemption Date (or any date for the purchase of Bonds under the Indenture), the amounts on deposit in the Redemption Fund and the Interest Account are less than the amount required for the payment of the Redemption Price (or purchase price) and interest accrued on such Bonds to be redeemed (or purchased) on such date the Trustee is required to apply amounts from the Debt Service Reserve Fund to the extent necessary to make good the deficiency.

If a deficiency described in the preceding paragraph remains after application of amounts from the Debt Service Reserve Fund as described in the preceding paragraph, or if at any time the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund

Requirement, the Trustee shall immediately notify the Corporation of such deficiency and the Corporation is to immediately transfer to the Debt Service Reserve Fund the funds necessary to eliminate such deficiency and if the Corporation fails to do so promptly, the Trustee will transfer to the Debt Service Reserve Fund such funds available from any Fund or Account established under the Indenture (except for Unpledged Funds), provided that the Mortgage Loan Fund will be drawn upon last and then first from the Collateral Mortgage Asset Account and thereafter on a pro rata basis among the funds available in the Mortgage Loan Fund unless a different allocation is required for Federal tax reasons.

Amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement will, at the direction of the Corporation, be transferred to the Revenue Fund.

Rebate Fund (Section 508)

The Trustee will establish and create a Rebate Fund. Such Fund will be for the purpose of ultimate payment to the United States of any amounts that may be required thereto with respect to the Bonds.

Creation of Additional Accounts and Subaccounts (Section 509)

The Corporation may at any time by adoption of a Supplemental Indenture establish a Fund or Account to facilitate the operation of a Liquidity Facility or Credit Enhancement. Amounts in such Funds or Accounts will not be considered part of the Trust Estate but rather, will be subject to such lien and pledge as may be created in a Supplemental Indenture authorizing such Credit Enhancement or Liquidity Facility pledged as security for the Bonds under the Indenture.

Deposits and Investments (Sections 510 and 512)

All amounts held by any Fiduciary or Depositary under the Indenture will be invested in Investment Securities. Amounts in the Debt Service Reserve Fund may only be in investments described in clauses (1), (2), (3) or (6) of the definition of Investment Securities under “Certain Definitions” above, and any such investment (unless in an Investment Agreement) must mature no later than six months after its purchase. Unless otherwise provided, obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the Indenture shall be deemed at all times to be a part of such Fund or Account but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account, other than the Special Reserve Fund, due to the investment thereof shall be deposited as Pledged Receipts into the Revenue Fund. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein will be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the tenth day prior to each Interest Payment Date, and except in the case of the Debt Service Reserve Fund, on any particular date will not include the amount of interest then earned or accrued to such date on any such moneys or investment. No investment may be sold for less than (i) in the case of an investment purchased at par value, its par value or (ii) in the case of an investment purchased at other than par value, its amortized value, unless, in each case, (x) such sale is reflected in the most recent

Bond Coverage Certificate or (y) such sale is necessary to provide amounts to pay principal of or interest on Bonds of any Series when and as due.

Special Reserve Fund (Section 513)[†]

The Trustee and the Corporation shall make deposits into, and withdrawals and disbursements from the Special Reserve Fund in accordance with the provisions of the Indenture and the Supplemental Indentures authorizing the Bonds.

Amounts in the Special Reserve Fund, if any, are available to pay interest on, principal of or sinking fund installments on, or the Redemption Price of, Outstanding Bonds and to restore the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement as described above under “Debt Service Reserve Fund.” Amounts in the Special Reserve Fund in excess of the Special Reserve Requirement will, at the direction of the Corporation, be transferred to the Revenue Fund.

Power to Issue Bonds and Pledge Revenues, Funds and Other Property (Section 705)

The Corporation is duly authorized under all applicable laws to adopt 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 shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Acquired Obligations, Pledged Receipts, and other assets and revenues, including rights therein pledged under the Indenture and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Payment of Bonds (Section 701)

The Corporation has covenanted to duly and punctually pay principal or redemption price of and interest on Bonds. The Corporation has covenanted that it will take such action as may be necessary to cause available Collateral Mortgage Assets that are available for transfer to be transferred from their Prior Indentures to the Mortgage Loan Fund maintained under the Indenture, in accordance with any Bond Coverage Certificates delivered to the Trustee in connection with the issuance of a Series of Bonds.

Tax Covenants (Section 706) (Article III of 2012 Series A Supplemental Indenture)

With respect to Bonds intended to bear interest that is excludible from gross income for Federal income tax purposes, the Corporation covenants to (i) meet all applicable requirements of the Internal Revenue Code of 1954, as amended (the “1954 Code”), and the Internal Revenue Code of 1986, as amended (the “Code”), (ii) not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations, the acquisitions of which would cause any Bond to be an “arbitrage bond” and (iii) take all action necessary to assure that interest on such Bonds (including the 2012 Series A Bonds) shall be excludable from gross income for purposes of Federal income taxation.

[†] No amounts will be deposited in the Special Reserve Fund in connection with the issuance of the Offered Bonds.

The Corporation covenants that it shall require that no person or “related person” shall purchase Bonds in an amount related to the Acquired Obligations to be acquired by the Corporation from such person or “related person.”

Accounts and Reports (Section 707)

The Corporation covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made of all its transactions relating to the Program for which Bonds are issued and Outstanding and all Funds and Accounts established by the Indenture which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 25% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Corporation must annually, within 120 days after the close of each Fiscal Year, file with the Trustee, and with such officials of the State, if any, as may be required by the Act, (i) a copy of an annual report for such Fiscal Year, setting forth its operations and accomplishments during such Fiscal Year and (ii) financial statements of the Corporation for such Fiscal 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 the Program, (b) a balance sheet for 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 for the Program may be combined with financial statements for other programs and purposes of the Corporation so long as the said financial statements for such programs are separately identified. The financial statements will be accompanied by the report of an Accountant stating that the financial statements examined present fairly the financial position of the Corporation at the end of the Fiscal Year, the results of its operations and changes in financial position for the period examined, in conformity with accounting principles generally accepted in the United States of America. A copy of each such annual report and Accountant’s report will be mailed promptly thereafter by the Corporation to each Bondholder who has filed his name and address with the Corporation for such purpose.

Budgets (Section 708)

The Corporation may prepare a preliminary budget covering its fiscal operations for the Program for the succeeding Fiscal Year at least 60 days prior to the first day of such Fiscal Year and shall deliver a summary of such budget to any Bondholder whose name and address shall have been filed with the Corporation for such purpose. The Corporation will hold a public hearing on the preliminary budget if requested by the holders of 10% or more of the Outstanding Bonds in the manner provided by the terms of the Indenture.

The Corporation will adopt an Annual Budget for the Program covering its fiscal operations for the succeeding Fiscal Year and file the same with such officials of the State as may be required by the Act, as then amended. The Annual Budget will at least set forth for such Fiscal Year the estimated Pledged Receipts due and payable or estimated to become due and payable during such Fiscal Year. Copies of the Annual Budget and any amended Annual Budget will be made available by the Corporation for inspection by any Bondholder.

Corporation's Programs (Section 709)

The Corporation from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Indenture and sound banking practices and principles, will (i) use and apply the proceeds of the Bonds to the extent not reasonably or otherwise required for other purposes of the Program, to finance Acquired Obligations pursuant to the Act and the Indenture, (ii) do all such acts and things necessary to receive and collect Pledged Receipts sufficient to pay Program Expenses and principal or Redemption Price, if any, of and interest on the Bonds and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to maintain any insurance on Acquired Obligations and to enforce all terms, covenants and conditions of Acquired Obligations.

The Corporation covenants not to sell or assign an Acquired Obligation, other than for the purpose of realizing the benefits of mortgage insurance with respect thereto, unless the payments received in respect thereof are deposited in the appropriate Mortgage Loan Account, if any, or otherwise in the Mortgage Loan Fund and (i) the Corporation provides the Trustee with a Bond Coverage Certificate after giving effect to such sale or assignment or (ii) the Trustee receives a written request from the owners of 100% of the Bonds then Outstanding to sell or assign such Acquired Obligation. Subject to such provisions, the Corporation may sell or assign any Acquired Obligation, and the Mortgage Loan so sold or assigned will be released from the lien of the pledge of the Indenture.

Supplemental Indentures Effective Upon Filing with the Trustee (Section 801)

For any one or more of the following purposes, a Supplemental Indenture of the Corporation may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation, shall be fully effective in accordance with its terms:

1. to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;
2. to add other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Indenture;
3. to add other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture;
4. to 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 Indenture;
5. to authorize Bonds of a Series;
6. to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or the Trust Estate;

7. to modify any of the provisions of the Indenture provided that (i) such modification shall be effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefore or in place thereof;

8. to make such additions, deletions, or modifications as may be necessary to assure compliance with Section 148(d)(3) of the Code or Section 148(f) of the Code or to obtain a satisfactory rating on a Series of Bonds from a Rating Agency, provided that no such additions, deletions, or modifications intended to obtain a satisfactory rating shall cause a reduction in any ratings assigned by a Rating Agency to Bonds then Outstanding; and

9. 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 tender for purchase and if such change is effective as of a date for such mandatory tender.

Supplemental Indentures Effective Upon Consent of Trustee (Section 802)

For any one or more of the following purposes, a Supplemental Indenture may be adopted, which, upon (i) the filing with the Trustee of an executed original thereof, and (ii) the filing with the Trustee and the Corporation of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

1. to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or

2. to 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

3. to provide for additional duties of the Trustee in connection with the Acquired Obligations; or

4. to make any other changes not materially adverse to the interests of the Bondholders.

Any such Supplemental Indenture may also contain one or more of the purposes specified in the preceding section, and in that event, the consent of the Trustee required by this section shall be applicable only to those provisions of such Supplemental Indenture as shall contain one or more of the purposes set forth above.

Powers of Amendment (Section 902)

Any modification or amendment of any provision of the Indenture or of the rights and obligations of the Corporation and of the holders of the Bonds may be made by a Supplemental

Indenture, with the written consent given as provided in the Indenture (i) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (ii) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds is not required. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest 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 or reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment. A Series of Bonds will be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the holders of Bonds of such Series.

Events of Default (Section 1002)

Each of the following events is an “Event of Default”: (a) the Corporation defaults in the payment of the principal (including Sinking Fund Payments) or Redemption Price, if any, of any Bond within two Business Days after the same becomes due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds is not made within two Business Days after the same becomes due; (c) the Corporation fails or refuses to comply with the provisions of the Indenture, or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, or in any Supplemental Indenture or the Bonds, 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; or (d) any event designated an Event of Default by a Supplemental Indenture shall have occurred and remain uncured.

Remedies (Section 1003)

Upon the happening and continuance of any Event of Default specified in clauses (a) and (b) above, the Trustee will proceed, or upon the happening and continuance of any Event of Default specified in clauses (c) and (d) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, will proceed, in its own name, subject to the Indenture, to protect and enforce its rights and the rights of the Bondholders 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 the Bondholders, including the right to require the Corporation to receive and collect revenues and assets, including Pledged Receipts 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 Bondholders 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 holders 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 holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults are made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences, *provided, however*, that the Trustee may not make any such declaration with respect to an Event of Default under (c) of the preceding paragraph unless the Trustee has received a written request to do so from 100% of the holders of all Outstanding Bonds or there are sufficient moneys available in the funds and accounts to pay the principal and interest on the Bonds upon such declaration; or (f) in the event that all Bonds are declared due and payable, by selling Acquired Obligations.

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 and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, of 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 interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Indenture, shall be applied as follows:

1. unless the principal of all of the Bonds shall have become or have been declared due and payable:

(a) to the payment to the persons entitled thereto of all installments of interest then due and payable 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

(b) to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be 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.

2. if the principal of all of the Bonds shall have become or have been declared due and payable, 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 principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, 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 Indenture, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Corporation, to any Bondholder or to any other person 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. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon which such interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any unpaid Bonds unless such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Bondholders' Direction of Proceedings (Section 1006)

The holders of the majority in principal amount of the Bonds then Outstanding shall 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 shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders (Section 1007)

No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law, or for the protection or enforcement of any right under the Indenture or any right under law unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are thereby 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. It is understood and intended that no one or more holders of the Bonds thereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder or under law with respect to the Bonds or the Indenture, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all holders of the Outstanding Bonds. Nothing in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal or Redemption Price, if any, of and interest on his 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 stated in said Bond.

Notwithstanding anything to the contrary, or any other provision of the Indenture, each holder of any Bond by his acceptance thereof shall 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 any Supplemental 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 of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder 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 1105, 1108 and 1109)

The Corporation may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Corporation. Any successor to the Trustee is required to be a trust company or bank having the powers of a trust company having capital and surplus aggregating at least \$25,000,000. The Corporation is required to pay to the Trustee and to each Paying Agent 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 and about the performance of their powers and duties under the Indenture, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it 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 shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by the Corporation of funds for such

payment or redemption or otherwise) will, at the maturity or redemption date thereof, 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 in the preceding paragraph if (i) 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 mail by first class-mail, as provided in the Indenture, notice of redemption on said date of such Bonds, (ii) there have been deposited with the Trustee either moneys in an amount which is sufficient, or obligations of the United States of America or of agencies or instrumentalities thereof 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, are 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, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation will have given the Trustee in form satisfactory to it irrevocable instructions to publish or mail by first-class mail, as soon as practicable, a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds. Neither Investment Securities nor moneys deposited with the Trustee pursuant to this Section, nor principal or interest payments on any such Investment Securities, will 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 any, of and interest on said Bonds, provided any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in Investment Securities 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.

TAX MATTERS

2012 Series A Bonds

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 2012 Series A 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 2012 Series A Bonds is excluded from gross income for Federal income tax purposes and (ii) interest on the 2012 Series A 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 2012 Series A 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 2012 Series A 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).

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 2012 Series A Bonds, including compliance with restrictions on the yield of mortgage loans and non-mortgage investments and periodic rebate payments to the Federal government. The Tax Regulatory Agreement and No Arbitrage Certificate of the Corporation, which will be delivered concurrently with the delivery of the 2012 Series A Bonds, will contain provisions and procedures relating to compliance with such requirements of the Code. 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 2012 Series A 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 2012 Series A Bonds being included in gross income for Federal income tax purposes from the date of issuance of the 2012 Series A Bonds. 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 the 2012 Series A Bonds may affect the tax status of interest on the 2012 Series A Bonds.

Original Issue Discount

2012 Series A 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 Discount 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.

Original Issue Premium

2012 Series A Bonds sold at an initial public offering price that is greater than the stated amount to be paid at maturity constitute “Premium Bonds.” An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium 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 2012 Series A 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 reporting requirement does not in and of itself affect or alter the excludability of interest on the 2012 Series A 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 Federal Tax Consequences

The foregoing is a brief discussion of certain Federal and State income tax matters with respect to the 2012 Series A 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 2012 Series A 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 2012 Series A Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the 2012 Series A Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the 2012 Series A 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 2012 Series A 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 2012 Series A Bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the 2012 Series A Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2012 Series A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2012 Series A Bonds or the market value thereof would be impacted thereby. Purchasers of the 2012 Series A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel and Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2012 Series A Bonds, and Bond Counsel and Special Tax Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

2012 Series B Bonds

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2012 Series B Bonds for the investors described below and is based on the advice of Bond Counsel and Special Tax Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are “U.S. holders” (as defined below) who will hold the 2012 Series B Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of 2012 Series B Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of a 2012 Series B Bond. A “non U.S. holder” is a holder (or beneficial owner) of a 2012 Series B Bond that is not a U.S. person. For these purposes, a “U.S. Person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

General

Although the 2012 Series B Bonds are issued by the Corporation, interest on the 2012 Series B Bonds (including original issue discount treated as interest) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the 2012 Series B Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the 2012 Series B Bonds generally must include interest (including original issue discount treated as interest) on the 2012 Series B Bonds in gross income for federal income tax purposes.

To ensure compliance with Treasury Circular 230, holders of the 2012 Series B Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the 2012 Series B Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Taxation of Interest Income of the 2012 Series B Bonds.

Payments of interest with regard to the 2012 Series B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the 2012 Series B Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined in the Code) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Payments of interest received with respect to the 2012 Series B Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the 2012 Series B Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the 2012 Series B Bonds.

A purchaser (other than a person who purchases a 2012 Series B Bond upon issuance at the issue price) who buys a 2012 Series B Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the 2012 Series B Bonds.

Sale or Exchange of the 2012 Series B Bonds

If a Bondholder sells a 2012 Series B Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder's basis in such 2012 Series B Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. However, if a 2012 Series B Bond was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income.

If the terms of a 2012 Series B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a 2012 Series B Bond should consult its

own tax advisor concerning the circumstances in which the 2012 Series B Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of the 2012 Series B Bonds may result in a deemed sale or exchange of such 2012 Series B Bonds under certain circumstances. Owners of such 2012 Series B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the 2012 Series B Bonds, if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

Tax Treatment of Original Issue Discount

2012 Series B Bonds that have an original yield above their interest rate constitute “Discounted Obligations.” The difference between the initial public offering prices of Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as taxable 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 Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation 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.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

Tax Treatment of Bond Premium

2012 Series B Bonds that have an original yield below their interest rate constitute “Premium Obligations”. An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser’s basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. The same treatment is afforded to Premium Obligations purchased at a premium in the secondary market. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations.

State, Local or Foreign Taxation

No representations are made regarding the tax consequences of purchase, ownership or disposition of the 2012 Series B Bonds under the tax laws of any state, locality or foreign jurisdiction (except as provided in “Exemption Under State Tax Law” below). Investors considering an investment in the 2012 Series B Bonds should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. Therefore,

except to the extent any holder of a 2012 Series B Bond incurs acquisition indebtedness with respect to a 2012 Series B Bond, interest paid or accrued with respect to such Bondholder may be excluded by such tax exempt Bondholder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a 2012 Series B Bond is urged to consult its own tax advisor regarding the application of these provisions.

Certain ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the 2012 Series B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the 2012 Series B Bonds could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Corporation or any Underwriter of the 2012 Series B Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the 2012 Series B Bonds are acquired by such plans or arrangements with respect to which the Corporation or any Underwriter is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the 2012 Series B Bonds. The sale of the 2012 Series B Bonds to a plan is in no respect a representation by the Corporation or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. **Any plan proposing to invest in the 2012 Series B Bonds should consult with its counsel to confirm that such investment is permitted under the plan**

documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Exemption Under State Tax Law

In the opinion of Bond Counsel, interest on the 2012 Series B 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).

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the 2012 Series B 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. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2012 Series B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2012 Series B Bonds or the market value thereof would be impacted thereby. Purchasers of the 2012 Series B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel and Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2012 Series B Bonds, and Bond Counsel and Special Tax Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters of the Offered Bonds 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 a 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, 2012, 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 Offered Bonds, to provide to the Municipal Securities Rulemaking Board, the notices described in the Continuing Disclosure Certificate by the times set forth therein.

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 Offered 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 required event notices.

RATINGS OF THE OFFERED BONDS

S&P has assigned the 2012 Series A Bonds a rating of “AA+” and Fitch has assigned the Offered Bonds a rating of “AA+”. The Corporation has furnished to each rating agency certain information and materials with respect to the 2012 Series A 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 2012 Series B Bonds a rating of “AA+/A-1+” and Fitch has assigned the 2012 Series B Bonds a rating of “AA+/F1+”. The assignment of such ratings by S&P and Fitch with respect to the 2012 Series B Bonds is conditioned upon the effectiveness of the Initial Liquidity Facility at the time of delivery of the 2012 Series B Bonds. The obligation of the respective Underwriters to purchase the Offered Bonds of each Series is conditioned on the assignment by S&P and Fitch of the respective aforementioned ratings to such 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 of and for the nine months ended March 31, 2012, 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, 2011, included in Appendix A to this Official Statement, 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

Copies of the Corporation’s annual financial statements as of and for the year ended June 30, 2011, 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 or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 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 & 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 2012 Series A Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the 2012 Series A Bonds at the price of \$146,413,654.60. The Underwriters will be paid a fee of \$1,085,566.40 with respect to the 2012 Series A Bonds. The Bond Purchase Agreement with respect to the 2012 Series A 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 2012 Series A Bonds is *not* conditioned on the issuance and delivery of the 2012 Series B Bonds. The initial public offering prices and yields of the 2012 Series A Bonds may be changed from time to time by the Underwriters. The

Underwriters may offer and sell the 2012 Series A 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 2012 Series A Bonds set forth on the inside cover page.

The 2012 Series B Bonds are being purchased by Merrill Lynch. Merrill Lynch has agreed to purchase the 2012 Series B Bonds at the price of par. Merrill Lynch will be paid a fee of \$80,964.89 with respect to the 2012 Series B Bonds. The Bond Purchase Agreement with respect to the 2012 Series B 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 2012 Series B Bonds is *not* conditioned on the issuance and delivery of the 2012 Series A Bonds. The initial public offering price of the 2012 Series B Bonds may be changed from time to time by Merrill Lynch. Merrill Lynch may offer and sell the 2012 Series B 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 higher than the public offering price of the 2012 Series B Bonds set forth on the inside cover page.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2012 Series A Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2012 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2012 Series A Bonds that such firm sells.

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2012 Series A Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC 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, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2012 Series A Bonds.

Each of the Underwriters and its affiliates is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Corporation, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Corporation.

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.

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APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

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a component unit of the State of Alaska

**Quarterly Unaudited
Financial Statements
March 31, 2012**

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

ALASKA HOUSING FINANCE CORPORATION

Exhibit A

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of March 31, 2012

(in thousands of dollars)

	Administrative Fund	Energy Programs	Other Non-Major Funds	Total March 31, 2012
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	24,341	1,561	25,991	51,893
Investments	738,233	-	646,889	1,385,122
Accrued interest receivable	1,346	-	11,673	13,019
Inter-fund due to/from	(36,427)	(17,020)	53,447	-
Mortgage loans, notes and other loans	89,597	-	2,486,750	2,576,347
Net investment in direct financing lease	-	-	53,192	53,192
Unamortized bond issuance costs	-	-	15,580	15,580
Capital assets - non-depreciable	2,539	6,291	16,352	25,182
Capital assets - depreciable, net	9,730	4	88,962	98,696
Other assets	13,084	11,826	8,174	33,084
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	1,610	5,741	1,752	9,103
Deferred outflow of resources	-	-	191,092	191,092
Total Assets and Deferred Outflows	844,053	8,403	3,599,854	4,452,310
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	2,612,072	2,612,072
Short term debt	24,594	-	-	24,594
Accrued interest payable	1,406	-	36,210	37,616
Other liabilities	8,852	5,239	2,820	16,911
Derivative instrument - interest rate swaps	-	-	194,219	194,219
Intergovernmental payable	1,160	-	155	1,315
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	36,012	5,239	2,845,476	2,886,727
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	12,269	6,295	105,314	123,878
Restricted by bond resolutions	-	-	573,197	573,197
Restricted by contractual or statutory agreements	105,164	1,976	70,426	177,566
Unrestricted net assets, (deficit)	690,608	(5,107)	5,441	690,942
Total Net Assets	808,041	3,164	754,378	1,565,583

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 Nine Months Ended March 31, 2012

(in thousands of dollars)

	Administrative Fund	Energy Programs	Other Non-Major Funds	Total March 31, 2012
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	7,158	-	105,123	112,281
Investment interest	324	3	4,993	5,320
Net change in the fair value of investments	5,529	-	367	5,896
Net change of hedge termination	-	-	(1,169)	(1,169)
Total Investment Revenue	5,853	3	4,191	10,047
Externally funded programs	-	74,677	50,531	125,208
Rental	43	-	6,345	6,388
Other	1,942	1	580	2,523
Total Operating Revenues	14,996	74,681	166,770	256,447
<u>OPERATING EXPENSES</u>				
Interest	118	-	84,458	84,576
Mortgage and loan costs	1,077	-	7,314	8,391
Financing expenses	454	-	4,730	5,184
Provision for loan loss	(4,259)	-	604	(3,655)
Operations and administration	2,105	3,694	34,503	40,302
Rental housing operating expenses	245	1,755	9,825	11,825
Housing grants and subsidies	3,268	69,762	57,334	130,364
Total Operating Expenses	3,008	75,211	198,768	276,987
Operating Income (Loss)	11,988	(530)	(31,998)	(20,540)
<u>NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(6,889)	-	(807)	(7,696)
Special Item	-	-	-	-
Transfers - Internal	(64,926)	1,252	63,674	-
Change in Net Assets	(59,827)	722	30,869	(28,236)
Net assets at beginning of year	867,868	2,442	723,509	1,593,819
Net Assets at End of Period	808,041	3,164	754,378	1,565,583

See accompanying notes to the financial statements.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

Exhibit C

	Administrative Fund	Energy Programs	Other Non-Major Funds	Total March 31, 2012
Cash flows from operating activities:				
Interest income on mortgages and loans	3,281	-	97,805	101,086
Principal payments received on mortgages and loans	8,636	-	467,907	476,543
Purchases of mortgages and loans	(303,630)	-	-	(303,630)
Receipt (payment) for loan transfers between funds	275,958	-	(275,958)	-
Payments to employees and other payroll disbursements	(17,994)	(1,185)	(9,525)	(28,704)
Payments for goods and services	(10,880)	(4,368)	(7,569)	(22,817)
Cash received for externally funded programs	-	75,983	27,199	103,182
Cash received for Federal HAP subsidies	-	-	26,110	26,110
Payments for Federal HAP subsidies	-	-	(24,845)	(24,845)
Interfund Receipts	710,807	79,421	575,946	1,366,174
Interfund Payments	(693,878)	(76,184)	(596,112)	(1,366,174)
Grant payments to other agencies	(31,578)	(69,087)	(13,157)	(113,822)
Other operating cash receipts	29,336	203	177,212	206,751
Other operating cash payments	(14,031)	-	(172,859)	(186,890)
Net cash provided by (used for) operating activities	(43,973)	4,783	272,154	232,964
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	100,305	100,305
Principal paid on bonds	-	-	(205,609)	(205,609)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,062)	-	-	(1,062)
Interest paid	(1,581)	-	(56,420)	(58,001)
Proceeds from issuance of short term debt	277,251	-	-	277,251
Payment of short term debt	(339,621)	-	-	(339,621)
Contributions to the State of Alaska or other State agencies	(6,758)	-	(807)	(7,565)
Transfers (to) from other funds	101,485	-	(101,485)	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	29,714	-	(264,016)	(234,302)
Cash flows from capital financing activities:				
Acquisition of capital assets	(1,693)	(4,784)	(123)	(6,600)
Proceeds from the disposal of capital assets	1	-	2	3
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	(3,976)	(3,976)
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	(1,525)	(1,525)
Proceeds from the direct financing lease payments	-	-	6,771	6,771
Other cash payments	(30)	-	-	(30)
Net cash provided by (used for) capital financing activities	(1,722)	(4,784)	1,149	(5,357)
Cash flows from investing activities:				
Purchase of investments	(2,388,112)	-	(1,953,294)	(4,341,406)
Proceeds from maturity of investments	2,387,104	-	1,937,214	4,324,318
Interest received from investments	243	3	2,019	2,265
Net cash provided by (used for) investing activities	(765)	3	(14,061)	(14,823)
Net Increase (decrease) in cash	(16,746)	2	(4,774)	(21,518)
Cash at the beginning of year	41,087	1,559	30,765	73,411
Cash at the end of period	24,341	1,561	25,991	51,893
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	11,988	(530)	(31,998)	(20,540)
<i>Adjustments:</i>				
Depreciation expense	427	3	5,035	5,465
Provision for loan losses	(4,259)	-	604	(3,655)
Amortization of bond issuance costs	-	-	2,363	2,363
Net change in the fair value of investments	(5,529)	-	(367)	(5,896)
Transfers between funds for operating activity	(64,936)	1,252	63,684	-
Interest received from investments	(243)	(3)	(2,019)	(2,265)
Interest paid	1,581	-	57,945	59,526
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	(19,036)	-	191,949	172,913
Net increase (decrease) in assets and liabilities	36,034	4,061	(15,042)	25,053
Net cash provided by (used for) operating activities	(43,973)	4,783	272,154	232,964
Noncash investing, capital and financing activities:				
Deferred outflow of resources			(90,156)	
Derivative instruments liability			91,325	
Net change of hedge termination			(1,169)	
Conversion of NIBP bonds to 2010 Series A-1			128,750	
Conversion of NIBP bonds from 2009 Series A-1			(128,750)	
Transfer of Investments	196		(196)	
See accompanying notes to the financial statements.				

NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

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 Corporation has the following subsidiaries that are not component units of the Corporation and thus not included in the Corporation's financial statement. They were incorporated as subsidiaries of the Corporation under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. They issue their own annual stand-alone audited financial statements.

- The Northern Tobacco Securitization Corporation (NTSC) was incorporated on September 29, 2000 in the State of Alaska pursuant to House Bill No. 281 of the 2000 Alaska Legislature.
- The Alaska Housing Capital Corporation (AHCC) was incorporated on May 23, 2006 in the State of Alaska pursuant to Senate Bill 232 of the 2006 Alaska Legislature.
- The Alaska Gasline Development Corporation (AGDC) was incorporated on May 14, 2010 in the State of Alaska pursuant to House Bill 369 of the 2010 Alaska Legislature.

There is no financial accountability between NTSC, AHCC, AGDC and the Corporation. Neither the Corporation nor the State is liable for any debt issued by these subsidiaries. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

The Corporation has a new subsidiary, Alaska Corporation for Affordable Housing (ACAH), incorporated under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. Neither the Corporation nor the State is liable for any debt issued by ACAH. It is a government instrumentality of, but has a legal existence separate and apart from, the State.

- ACAH was incorporated on February 1, 2012 in the State of Alaska pursuant to House Bill 119 of the 2011 Alaska Legislature.

ACAH was formed to benefit and support the Corporation in providing safe, quality and affordable housing and services to low-income, moderate-income and elderly Alaskans. AHFC has financial accountability for ACAH due to its fiscal dependency on AHFC. ACAH is a blended component unit of the Corporation and thus will be included on the Corporation's financial statements. As of March 31, 2012, ACAH had no activity.

NOTES TO 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 Fund 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.

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. 16, 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.

NOTES TO FINANCIAL STATEMENTS

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 straight-line 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.

Derivative Instruments-Interest Rate Swaps

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 swap agreements are negotiated to achieve the financing objectives of the Corporation. The swaps are stated at fair value. The change in the fair value of the swaps is recorded as deferred inflows or deferred outflows or as investment revenue.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012	June 30, 2011
Restricted cash	\$ 27,553	\$ 32,325
Unrestricted	24,340	41,086
Carrying amount	\$ 51,893	\$ 73,411
Bank Balance	\$ 54,683	\$ 76,107

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, 2012	June 30, 2011	
Bank investment contracts	\$ -	\$ 35,906	\$ -	\$ -	\$ 35,906	\$ 49,002	
U. S. Treasury securities	12,098	5,515	-	-	17,613	17,173	
Securities of U. S. Government agencies and corporations	817	2,257	270	2	3,346	10,235	
Asset-backed securities	-	-	-	-	-	227	
Certificates of deposit	1,500	-	-	-	1,500	3,000	
Negotiable certificates of deposit	3,000	-	-	-	3,000	3,300	
Commercial paper & medium-term notes	568,924	728	-	-	569,652	25,051	
Guaranteed investment contracts	-	-	-	-	-	-	
Money market funds	165,823	-	-	-	165,823	741,566	
Subtotal	\$ 752,162	\$ 44,406	\$ 270	\$ 2	796,840	849,554	
GeFONSI pool					588,282	512,553	
Total AHFC Portfolio					\$ 1,385,122	\$ 1,362,107	

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, 2012	June 30, 2011
Restricted Investments	\$ 752,053	\$ 755,984
Unrestricted	633,069	606,123
Carrying amount	\$ 1,385,122	\$ 1,362,107

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, 2012	June 30, 2011
Ending unrealized holding gain	\$ 18,860	\$ 12,971
Beginning unrealized holding gain	12,971	5,265
Net change in unrealized holding gain	5,889	7,706
Net realized gain (loss)	7	60
Net increase (decrease) in fair value	\$ 5,896	\$ 7,766

NOTES TO FINANCIAL STATEMENTS

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 trusted or non-trusted, and this classification determines the applicable investment guidelines used by staff when making investment decisions. Trusted funds are invested in accordance with their respective indentures or governing agreements. Non-trusted funds are governed by the terms outlined in the Corporation's Fiscal Policies and are typically invested to meet the projected need for use of such funds.

The following securities are eligible for investment under the Corporation's Fiscal Policies:

- Obligations backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored enterprises (GSEs) and federal agencies not backed by the full faith and credit of the United States
- Obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Money market funds rated at least "AAm" by S&P or "Aa-mf" by Moody's or "AAMmf" by Fitch;
- Banker's acceptances and negotiable certificates of deposit of any bank the unsecured short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and which is incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank having a long-term issuer rating of at least "AA" from S&P or "Aa2" from Moody's or "AA" from 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) where: the counterparty is designated as a primary dealer by the Federal Reserve and has a long-term debt rating of at least "A" by S&P or "A" by Moody's or "A" by Fitch or a short-term rating of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch; collateral is pledged at a minimum level of 102%, valued on a daily basis with a one-business-day cure period; the term of such repurchase agreement is one week or less; a third-party custodian acting as the Corporation's agent has possession of the collateral and holds such collateral in the Corporation's name; the agreement is evidenced by standard documents published by the Securities Industry and Financial Markets Association (SIFMA); and the securities to be repurchased are obligations backed by the full faith and credit of the United States or obligations of U.S. government-sponsored enterprises and federal agencies not backed by the full faith and credit of the United States or obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Guaranteed investment contracts with a financial institution having outstanding unsecured long-term obligations rated, or an investment agreement rating of, at least "AA" by S&P or "Aa2" 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 "F-1" by Fitch;
- Fixed- and floating-rate notes and bonds (other than commercial paper) issued by corporate or municipal obligors and rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year, or at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing, or with a provision for investor withdrawal or put at par, in one year or less;
- Asset-backed securities (other than asset-backed commercial paper) rated at least "AA+" by S&P or "Aa1" by Moody's or "AA+" by Fitch; and
- Investment pools managed by the State of Alaska, including the General Fund and Other Non-Segregated Investments (GeFONSI) pool.

NOTES TO FINANCIAL STATEMENTS

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, 2012, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). \$17,613,000 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.

The credit quality ratings for the Corporation's investment in the GeFONSI pool are not available at this time.

	Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and Corporations:			
	Aaa	AA+	\$ 3,346
Asset-backed securities:			
	Aaa	AAA	-
Negotiable certificates of deposit:			
	P-1	A-1	2,000
	P-1	A-1+	1,000
			3,000
Certificates of deposit:			
	P-1	A-1	1,500
	P-1	A-1+	-
			1,500
Commercial paper, medium-term notes:			
	A1	A	-
	A1	AA-	256
	A2	A	1,033
	Aa1	AAA	-
	Aa1	A+	104
	Aa1	AA	-
	Aa1	AA-	101
	Aa2	AA-	263
	Aa2	AA	50
	Aa2	AA+	103
	Aa2	A+	-
	Aa3	A-	100
	Aa3	AA-	-
	Aa3	A+	105
	Aaa	AAA	696
	Aaa	AA+	5,030
	Aaa	A+	101
	P-1	A-1+	495,001
	P-1	A-1	66,709
			569,652
Money market funds:			
	--	AAAm	165,823
Unrated investments:			
Bank investment contracts			35,906
			\$ 779,227

NOTES TO FINANCIAL STATEMENTS

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.us/financials/fiscal_policies.cfm

Investment Category	Category Limit as % of Total Portfolio	Issuer Limit as % of Total Portfolio
U.S. government obligations	n/a	n/a
U.S. GSEs and agencies	n/a	35%
World Bank obligations	n/a	35%
Money market funds	n/a	n/a
Banker's acceptances, negotiable CDs	n/a	5%
Commercial paper	n/a	5%
Repurchase agreements	n/a	25%
Guaranteed investment contracts	n/a	5%
Corporate and municipal notes and bonds	n/a	5%
Asset-backed securities	20%	5%
State of Alaska investment pools	n/a	n/a

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. As of March 31, 2012, 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
GeFONSI Pool	\$ 588,282	42.47 %
Federated Investment Prime	164,818	11.90
Nordea North America	93,899	6.78
KELLS Fund	85,269	6.16
Autobahn Funding	73,547	5.31

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 \$54,683,000 bank balance at March 31, 2012, cash deposits in the amount of \$5,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$31,763,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

Of the Corporation's \$1,385,122,000 investments at March 31, 2012, investments in the amount of \$631,018,000 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.

The GeFONSI pool investment interest rate risk details are not available at this time.

NOTES TO FINANCIAL STATEMENTS

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, 2012:

	Investment Fair Value	Modified Duration
Bank investment contracts	\$ 35,906	-
U. S. Treasury securities:		
Treasury coupon securities	16,214	0.938
Treasury discounts	1,399	0.246
Securities of U. S. Government agencies and corporations:		
Federal agency discounts	-	-
Federal agency coupon securities	3,061	1.707
Federal agency pass through securities	285	2.815
Asset-backed securities	-	-
Certificates of deposit	1,500	0.024
Negotiable certificates of deposit	3,000	0.224
Commercial paper & medium-term notes:		
Commercial paper discounts	560,578	0.135
Corporate bonds	106	2.867
Medium-term notes	8,768	0.500
Municipal bonds	-	-
Floating rate notes	200	0.213
Banker's Acceptances	-	-
Guaranteed investment contracts	-	-
Money market funds	165,823	-
	<u>\$ 796,840</u>	
Portfolio modified duration		0.075

4 INTERFUND RECEIVABLE/PAYABLE

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

	Due From			
	Administrative Fund	Energy Programs	Other Non Major Funds	Total
Administrative Fund	\$ -	\$ 17,020	\$ 19,931	\$ 36,951
Energy Programs	-	-	-	-
Other Non Major Funds	73,378	-	-	73,378
Total	<u>\$ 73,378</u>	<u>\$ 17,020</u>	<u>\$ 19,931</u>	<u>\$ 110,329</u>

The balance of \$73,378,000 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.

The balance of \$17,020,000 due to the Administrative Fund from the Energy Programs resulted primarily from expenditures paid by the Administrative Fund on behalf of the Energy Programs.

Of the \$19,931,000 due from the Other Non-Major Funds to the Administrative Fund, \$2,330,000 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.

NOTES TO FINANCIAL STATEMENTS

5 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	March 31, 2012	June 30, 2011
Mortgage loans	\$ 2,334,251	\$ 2,535,633
Multifamily loans	236,451	225,662
Other notes receivable	92,237	88,361
	2,662,939	2,849,656
Less:		
Allowance for losses	(86,592)	(90,145)
Net Mortgage loans, notes and other loans	<u>\$ 2,576,347</u>	<u>\$ 2,759,511</u>

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, 2012	June 30, 2011
<u>Delinquencies and foreclosures:</u>		
Loans delinquent 30 days or more	\$ 129,678	\$ 141,825
Foreclosures during period	11,141	16,824
Loans in foreclosure process	23,952	20,925
<u>Mortgage-related commitments:</u>		
To purchase mortgage loans	92,890	73,287

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 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.

NOTES TO FINANCIAL STATEMENTS

In fiscal year 2007 the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at March 31, 2012 was \$43,197,000. The garage was placed in service 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 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):

12 Months Ending March 31	Future Minimum Payments Due		
	Parking Garage	Building	Total
2013	\$ 3,304	\$ 3,467	\$ 6,771
2014	3,304	3,467	6,771
2015	3,304	3,467	6,771
2016	3,304	3,467	6,771
2017	3,304	3,467	6,771
Thereafter	36,336	-	36,336
Gross payments due	52,856	17,335	70,191
Less: Unearned revenue	(14,944)	(2,055)	(16,999)
Net investment in direct financing lease	\$ 37,912	\$ 15,280	\$ 53,192

8 CAPITAL ASSETS

Capital assets activity for the nine months ended March 31, 2012 and a summary of balances are shown below (in thousands):

	June 30, 2011	Additions	Reductions	March 31, 2012
Non-Depreciable Capital Assets:				
Land	\$ 13,753	\$ 2,400	\$ -	\$ 16,153
Construction in progress	2,139	6,921	(31)	9,029
Total Non-Depreciable	15,892	9,321	(31)	25,182
Depreciable Capital Assets:				
Buildings	223,486	344	(2,400)	221,430
Computers & Equipment	1,643	-	(11)	1,632
Leasehold Improvements	88	-	-	88
Vehicles	2,042	141	(95)	2,088
Less: Accumulated depreciation				
Buildings	(118,025)	(5,282)	88	(123,219)
Computers & Equipment	(1,310)	(179)	11	(1,478)
Leasehold Improvements	(88)	-	-	(88)
Vehicles	(1,760)	(92)	95	(1,757)
Total Depreciable, Net	106,076	(5,068)	(2,312)	98,696
Total Capital Assets, Net	\$ 121,968	\$ 4,253	\$ (2,343)	\$ 123,878

The depreciation expense charged by the Corporation was \$5,465,000 for the nine months ended March 31, 2012. 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 \$7,171,000 at March 31, 2012.

NOTES TO FINANCIAL STATEMENTS

9 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. As of March 31, 2012, there are no draw down bonds outstanding.

In December 2009, the Corporation issued Mortgage Revenue Bonds Series 2009 A in the amount of \$193,100,000. The bonds are general obligations of the Corporation secured by program obligations and by amounts on deposit in the 2009 Series A Escrow Fund. These bonds were issued under the federal New Issue Bond Program. The proceeds of the bonds were held in an escrow account until being converted into long term fixed rate bonds with the proceeds being used to buy mortgages. As of March 31, 2012 all of the bonds, \$193,100,000, had been converted.

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

	Original Amount	March 31, 2012	June 30, 2011
First-Time Home Buyer Program			
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>			
• 2001 Series A	\$ 32,740	\$ -	\$ 6,040
• 2001 Series B	104,450	-	33,125
Unamortized premium		-	20
• 2009 Series A-1; 3.07%, due 2027-2041	64,350	64,310	64,350
• 2009 Series A-2; 2.32%, due 2026-2041	128,750	128,750	-
• 2010 Series A; 0.85% to 4.00%, due 2012-2027	43,130	40,880	42,005
Unamortized discount		(209)	(219)
• 2010 Series B; 0.85% to 4.625%, due 2012-2040	35,680	34,930	35,305
• 2011 Series B; 0.40% to 4.05%, due 2012-2026	71,360	71,360	-
<i>Mortgage Revenue Bonds, Taxable:</i>			
• 2009 Series A	193,100	-	128,750
• 2011 Series A; 2.80% due 2015-2026	28,945	28,945	-
Total Mortgage Revenue Bonds	702,505	368,966	309,376
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>			
• 2002 Series A; Floating Rate*; 0.22% at March 31, 2012, due 2032, 2036	170,000	165,160	165,800
Unamortized swap termination penalty		(11,372)	(12,130)
• 2006 Series A; 4.00% to 5.00%, due 2012-2036	98,675	47,280	57,135
Unamortized premium		344	422
• 2006 Series B; 4.05% to 5.00%, due 2012-2036	75,000	27,510	39,110
Unamortized premium		233	287
• 2006 Series C; 4.40% to 5.50%, due 2012-2037	75,000	24,790	42,220
Unamortized premium		589	682
• 2007 Series A; Floating Rate*; 0.39% at March 31, 2012 due 2017-2041	75,000	75,000	75,000
Unamortized deferred debt refunding expense		(1,690)	(1,740)

NOTES TO FINANCIAL STATEMENTS

	Original Amount	March 31, 2012	June 30, 2011
• 2007 Series B; Floating Rate*; 0.39% at March 31, 2012, due 2017-2041	75,000	75,000	75,000
Unamortized deferred debt refunding expense		(1,690)	(1,740)
• 2007 Series C; 4.10% to 4.80%, due 2012-2038	89,370	40,385	59,660
• 2007 Series D; Floating Rate*; 0.38% at March 31, 2012, due 2017-2041	89,370	89,370	89,370
Unamortized deferred debt refunding expense		(2,071)	(2,133)
• 2008 Series A; 3.25% to 5.35%, due 2012-2033	80,880	26,875	48,890
• 2008 Series B; 3.20% to 5.50%, due 2012-2038	80,880	38,475	60,880
Unamortized discount		(9)	(60)
• 2009 Series A; Floating Rate*; 0.17% at March 31, 2012, due 2020-2040	80,880	80,880	80,880
Unamortized deferred debt refunding expense		(1,312)	(1,346)
• 2009 Series B; Floating Rate*; 0.17% at March 31, 2012, due 2020-2040	80,880	80,880	80,880
Unamortized deferred debt refunding expense		(1,312)	(1,346)
• 2009 Series C; 1.80% to 5.25%, due 2012-2034	80,870	52,425	74,040
Unamortized discount		(33)	(37)
• 2009 Series D; Floating Rate*; 0.19% at March 31, 2012, due 2020-2040	80,870	80,870	80,870
Unamortized deferred debt refunding expense		(1,263)	(1,296)
Total Home Mortgage Revenue Bonds	1,232,675	885,314	1,009,298
Veterans Mortgage Program Bonds and Notes:			
Collateralized State Guaranteed Bonds and Notes, Tax-Exempt:			
• 2002 First Series; 5.00% to 5.55%, due 2012-2023	50,000	-	8,490
• 2005 First Series; 4.80%, due 2012-2035	15,000	4,085	6,290
• 2006 First Series, 4.00% to 4.90%, due 2012-2037	190,000	174,280	176,760
• 2007 & 2008 First Series, 3.45% to 5.25%, due 2012-2038	57,885	53,130	53,290
Total Veterans Mortgage Program Bonds	312,885	231,495	244,830
Other Housing Bonds:			
Housing Development Bonds, Tax-Exempt:			
• 2002 Series A: 4.25% to 5.20%, due 2012-2022	8,440	2,425	2,510
• 2002 Series B; 4.15% to 5.15%, due 2012-2022	8,690	5,690	5,880
• 2002 Series C; 4.15% to 5.25%, due 2012-2032	70,000	58,040	58,815
• 2004 Series A; 3.80% to 4.80%, due 2012-2026	33,060	20,210	27,795
• 2004 Series B; 3.55% to 4.75%, due 2012-2032	52,025	39,480	41,045
Housing Development Bonds, Taxable:			
• 2004 Series D; 4.54% to 5.60%, due 2012-2043	105,000	101,575	102,080
Sub-Total Housing Development Bonds	277,215	227,420	238,125

NOTES TO FINANCIAL STATEMENTS

	Original Amount	March 31, 2012	June 30, 2011
General Mortgage Revenue Bonds, Tax-Exempt:			
• 2002 Series A; 3.7% to 5.0%, due 2012-2040	150,000	145,180	146,415
Unamortized deferred debt refunding expense		(989)	(1,021)
Unamortized premium		439	462
Government Purpose Bonds, Tax-Exempt:			
• 1997 Series A, Floating Rate*, monthly payments, 0.14% at March 31, 2012, due 2027	33,000	14,600	14,600
• 2001 Series A, Floating Rate*, 0.18% at March 31, 2012, due 2012-2030	76,580	58,915	59,945
Unamortized swap termination penalty		(7,413)	(7,711)
• 2001 Series B, Floating Rate*, 0.18% at March 31, 2012 due 2012-2030	93,590	72,000	73,255
Total Other Housing Bonds	630,385	510,152	524,070
Non-Housing Bonds:			
State Capital Project Bonds, Tax-Exempt:			
• 2002 Series A	32,905	-	4,380
• 2002 Series C; Floating Rate*, 0.15% at March 31, 2012 due 2012-2022	60,250	60,250	60,250
• 2006 Series A; 3.50% to 5.00%, due 2012-2040	100,890	93,880	93,880
Unamortized discount		(1,276)	(1,334)
Unamortized premium		1,181	1,275
• 2007 Series A & B; 4.00% to 5.25%, due 2012-2029	95,525	84,940	88,210
Unamortized discount		(56)	(60)
Unamortized premium		2,154	2,405
Unamortized deferred debt refunding expense		(2,521)	(2,628)
• 2011 Series A; 3.00% to 5.00%, due 2012-2027	105,185	98,865	105,185
Unamortized discount		(111)	(119)
Unamortized premium		3,065	3,871
General Housing Purpose Bonds, Tax-Exempt:			
• 2005 Series A; 3.40% to 5.25%, due 2012-2041	143,235	136,880	137,450
Unamortized premium		3,026	3,142
• 2005 Series B; 3.55% to 5.25%, due 2012-2030	147,610	124,885	126,830
Unamortized deferred debt refunding expense		(8,828)	(9,340)
Unamortized premium		3,201	3,532
• 2005 Series C; 4.00% to 5.00%, due 2012-2017	16,885	16,610	16,610
Total Non-Housing Bonds	702,485	616,145	633,539
Total Bonds and Notes Payable	\$ 3,580,935	\$ 2,612,072	\$ 2,721,113

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012, the Corporation made \$176,395,000 special revenue redemptions and no current refundings. The Corporation made \$253,120,000 special revenue redemptions and no current refundings during fiscal year 2011.

During the nine months ended March 31, 2012, the Corporation converted \$128,750,000 under the federal New Issue Bond Program (NIBP). The Corporation converted \$64,350,000 under the NIBP during fiscal year 2011.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2017 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ending March 31	Total Debt Service		
	Principal	Interest*	Total
2013	\$ 60,200	\$ 109,201	\$ 169,401
2014	61,990	107,264	169,254
2015	58,215	104,993	163,208
2016	59,680	102,797	162,477
2017	61,860	100,452	162,312
2018-2022	392,940	458,714	851,654
2023-2027	463,840	366,130	829,970
2028-2032	552,510	252,177	804,687
2033-2037	605,310	136,700	742,010
2038-2042	280,015	31,114	311,129
2043-2044	43,435	1,939	45,374
	<u>\$ 2,639,995</u>	<u>\$ 1,771,481</u>	<u>\$ 4,411,476</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at March 31, 2012

** Also see Note 10 – Derivatives.

Conduit Debt

From time to time, the Corporation has issued debt to assist private-sector entities in the acquisition or construction of facilities that help the Corporation fulfill its mission of making housing affordable for all Alaskans. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. A summary of the conduit bonds outstanding is shown below (in thousands):

	March 31, 2012	June 30, 2011
Revenue Bonds, 2010		
Birchwood Apartments Project	\$ -	\$ 1,009

NOTES TO FINANCIAL STATEMENTS

10 DERIVATIVES

The Corporation entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The Corporation's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable rate bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Assets, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

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 asset or liabilities in the marketplace if a swap were to be terminated.

The Corporation's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, the Corporation would have to post collateral of up to 100 percent of the swap's fair value. As of March 31, 2012, the Corporation has not posted any collateral and is not required to post any collateral.

Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of March 31, 2012, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/01/08	2.4530	67% of 1M LIBOR ⁴	12/01/30	A+/Aa3
GP01B	08/02/01	4.1427	67% of 1M LIBOR	12/01/30	A-/Baa1
E021A1 ²	10/09/08	2.9800	70% of 3M LIBOR ⁵	06/01/32	AAA/Aa1
E021A2	10/09/08	3.4480	70% of 1M LIBOR	12/01/36	A-/Baa1
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +0.115%	07/01/22	A+/Aa1
E071AB	05/31/07	3.7345	70% of 3M LIBOR	12/01/41	AAA/Aa1
E071BD	05/31/07	3.7200	70% of 3M LIBOR	12/01/41	A+/Aa1
E091A	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	A/A1
E091B	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	AAA/Aa1
E091ABD	05/28/09	3.7400	70% of 3M LIBOR	12/01/40	A+/Aa1

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

NOTES TO FINANCIAL STATEMENTS

The change in fair value and ending balance of the hedging derivatives as of March 31, 2012, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values March 31, 2012	Fair Values June 30, 2011	Change in Fair Value
GP01A	\$ 58,915	\$ 63,465	\$ (4,550)	\$ (1,025)	\$ (3,525)
GP01B	72,000	88,966	(16,966)	(12,628)	(4,338)
E021A1	45,160	50,829	(5,669)	(2,469)	(3,200)
E021A2	120,000	144,295	(24,295)	(4,797)	(19,498)
SC02C	60,250	69,296	(9,046)	(7,171)	(1,875)
E071AB	143,622	182,287	(38,665)	(21,818)	(16,847)
E071BD	95,748	121,112	(25,364)	(13,955)	(11,409)
E091A	72,789	92,871	(20,082)	(11,238)	(8,844)
E091B	72,789	92,923	(20,134)	(11,375)	(8,759)
E091ABD	97,052	123,373	(26,321)	(14,460)	(11,861)
Total	\$ 838,325	\$ 1,029,417	\$ (191,092)	\$ (100,936)	\$ (90,156)

As of March 31, 2012, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). 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
2012	\$ 3,970	\$ 960	\$ 12,897	\$ 17,827
2013	12,825	1,997	27,968	42,790
2014	13,390	1,974	27,521	42,885
2015	13,955	1,950	27,053	42,958
2016	14,565	1,926	26,566	43,057
2017-2021	117,385	9,031	122,987	249,403
2022-2026	154,055	7,469	98,954	260,478
2027-2031	175,865	5,589	72,302	253,756
2032-2036	171,565	3,500	43,853	218,918
2037-2041	152,510	1,300	15,100	168,910
2042	8,240	16	140	8,396
	\$ 838,325	\$ 35,712	\$ 475,341	\$ 1,349,378

Risks

a. Credit Risk

As of March 31, 2012, the Corporation is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes 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 to BBB+/Baa1. The Corporation currently has swap agreements with five separate counterparties. Approximately 31% of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 30% of the total notional amount of the swaps is held with one counterparty rated A+/Aa1. Of the remaining swaps, one counterparty is rated A-/Baa1, another counterparty is rated A/A1, and the remaining counterparty is rated A+/Aa3, approximating 23%, 9%, and 7% respectively, of the total notional amount of the swaps.

b. Interest Rate Risk

The Corporation is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, the Corporation's net payment on the swaps increases.

NOTES TO FINANCIAL STATEMENTS

c. Basis Risk

All of the Corporation's variable-rate bond interest 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 fully 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, 2012, SIFMA was 0.19% and 1-month LIBOR was 0.24125%, resulting in a SIFMA/LIBOR ratio of 78.8%. The 3-month LIBOR was 0.46965%, resulting in a SIFMA/LIBOR ratio of 40.5%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

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 the Corporation would be exposed to interest rate risk on the bond. 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.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in the Corporation making termination payments totaling \$22,181,000 to the counterparties. The Corporation replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps.

e. 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. 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 to the unswapped portion of the debt.

Investment Derivatives

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of the Corporation's investment derivatives as of March 31, 2012, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating
SC02B	12/05/02	3.77%	70% of 1M LIBOR	07/01/24	A+/Aa1

The change in fair value of the investment derivatives as of March 31, 2012, is shown below (in thousands) and is presented as a net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values March 31, 2012	Fair Values June 30, 2011	Change in Fair Value
SC02B	\$ 14,555	\$ 17,682	\$ (3,127)	\$ (1,958)	\$ (1,169)

Credit Risk

As of March 31, 2012, the Corporation was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa1.

NOTES TO FINANCIAL STATEMENTS

11 LONG TERM LIABILITIES

The activity for the nine months ended March 31, 2012 is summarized in the following schedule (in thousands):

	June 30, 2011	Additions	Reductions	March 31, 2012	Due Within One Year
Total bonds and notes payable	\$ 2,721,113	\$ 229,055	\$ (338,096)	\$ 2,612,072	\$ 60,200
Compensated absences	4,813	2,070	(1,782)	5,101	2,132
Other liabilities	1,139	121	(800)	460	105
Total long-term liabilities	<u>\$ 2,727,065</u>	<u>\$ 231,246</u>	<u>\$ (340,678)</u>	<u>\$ 2,617,633</u>	<u>\$ 62,437</u>

12 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, 2012	June 30, 2011
Lowest	0.12%	0.21%
Highest	0.35%	0.59%

Short term debt activity for the nine months ended March 31, 2012 is summarized in the following schedule (in thousands):

	June 30, 2011	Additions	Reductions	March 31, 2012
Commercial paper	\$ 87,000	\$ 277,351	\$ (339,751)	\$ 24,600
Unamortized discount	(24)	(112)	130	(6)
Commercial paper, net	<u>\$ 86,976</u>	<u>\$ 277,239</u>	<u>\$ (339,621)</u>	<u>\$ 24,594</u>

13 TRANSFERS

Transfers for the nine months ended March 31, 2012 are summarized in the following schedule (in thousands):

	From			
	Administrative Fund	Energy Programs	Other Non- Major Funds	Total
To Administrative Fund	\$ -	\$ 11	\$ 110,123	\$ 110,134
Energy Programs	1,263	-	-	1,263
Other Non-Major Funds	173,797	-	117,558	291,355
Total	<u>\$ 175,060</u>	<u>\$ 11</u>	<u>\$ 227,681</u>	<u>\$ 402,752</u>

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 the Energy Programs and Bond Funds, and (4) to record expenditures paid on behalf of the Energy Programs and the Bond Funds by the Administrative Fund.

NOTES TO FINANCIAL STATEMENTS

14 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 0.03% to 0.65% per annum of the aggregate liability or commitment amount.

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

	March 31, 2012	June 30, 2011
Bond related liquidity facilities	\$ 485,400	\$ 486,040
Bond insurance	784,195	1,009,750
	<u>\$ 1,269,595</u>	<u>\$ 1,495,790</u>

15 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, 2012	June 30, 2011
Arbitrage expense	\$ (140)	\$ 542
Arbitrage paid	539	85
Arbitrage rebate reimbursement	-	31

16 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–FY2012 were \$1,571,498,000; payments up thru March 31, 2012 were \$1,466,334,000 resulting in total remaining commitments of \$105,164,000 as of March 31, 2012.

Transfer Plan with the State

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to \$224,000,000 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 \$103,000,000 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 bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

NOTES TO FINANCIAL STATEMENTS

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 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.

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. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Twenty-Third Legislature in 2003 enacted SCS HB 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 and modified by the Twenty-Fourth Legislature in 2006 with SB 236, the 2003 Transfer Plan calls for annual transfers that will not exceed the lesser of 75% of adjusted change in net assets for the fiscal year two years prior to the current fiscal year or \$103,000,000 less debt service on certain State Capital Project Bonds, less any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations of the Corporation's operating budget.

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, 2012		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	-		631,653	631,653
Other State appropriations	-		302,654	302,654
Non-Housing capital projects	6,889		318,893	325,782
Various bond proceeds disbursed	807		312,415	313,222
Total	\$ 7,696	\$	1,962,015	\$ 1,969,711

NOTES TO FINANCIAL STATEMENTS

17 GRANTS

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

Program	March 31, 2012
<i>Administrative Programs:</i>	
▪ Loussac Place	\$ 3,268
<i>Energy Programs:</i>	
▪ ARRA State Energy Program	11,056
▪ ARRA Weatherization Assistance Program	1,345
▪ Energy Efficient Appliance Rebate	369
▪ Energy Efficiency Monitoring Research	512
▪ Energy Efficiency Conservation Block Grant	2,332
▪ Energy Efficient Home Program	14,918
▪ Low-Income Home Energy Assistance	150
▪ Low Income Weatherization Assistance	39,080
Total Energy Programs	69,762
<i>Low Rent Public Housing</i>	95
<i>Section 8 Vouchers Program</i>	22,678
<i>Other Housing Assistance Programs:</i>	
▪ AMHTA Short Term Housing Assistance	-
▪ ARRA Low Income Tax Credit	310
▪ ARRA TCAP Home	50
▪ Beneficiaries and Special Needs Housing	1,208
▪ Denali Commission	(33)
▪ Drug Elimination	26
▪ Emergency Shelter Grant	83
▪ Homeless Prevention and Rapid Re-Housing	26
▪ HOME Investment Partnership	3,042
▪ Homeless Assistance Program	5,167
▪ Homeless Information Management System	19
▪ Housing Loan Program	7,594
▪ Housing Opportunities for Persons with AIDS	484
▪ Low Income Tax Credit	-
▪ Neighborhood Stabilization	3,612
▪ Resident Opportunity and Support Service	53
▪ ROSS Neighborhood Network	-
▪ Section 8 Contract Administration	-
▪ Senior Citizen Housing Development Grant	4,846
▪ Shelter Plus Care	638
▪ Special Needs Housing	-
▪ Supplemental Housing Grant	6,492
▪ Supportive Housing Grant Match	844
▪ Technical Assistance Grant	100
Total Other Housing Assistance Programs	34,561
Total Housing Grant Expenses	130,364
▪ Legislative Appropriations	6,889
Total Non-Housing Capital Project Grants	6,889
Total Grants	\$ 137,253

In addition to grant payments made, the Corporation has advanced grant funds of \$9,674,000 and committed to third parties a sum of \$116,954,000 in grant awards at March 31, 2012.

NOTES TO FINANCIAL STATEMENTS

18 OTHER PROGRAMS

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

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

Affordable Housing Programs consist of Corporate owned low-income housing facilities at various locations.

- Project Based Section 8

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

- Beneficiaries & Special Needs Housing
- Denali Commission Housing Programs
- Drug Elimination Program
- Family Investment Center Grant
- Family Self Sufficiency Program (FSS)
- HOME Investment Partnerships Program (HOME)
- Homeless Assistance Program Grants
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Low Income Tax Credit Program
- Neighborhood Stabilization Program
- Resident Opportunity and Supportive Services
- ROSS Neighborhood Networks
- Senior Citizen Housing Development Grant Program
- Shelter Plus Care Program
- Supplemental Housing Grant Program
- Supportive Housing Grant Match
- Teacher Health Professional and Public Safety Housing Programs
- Technical Assistance Grants

Energy Conservation Programs

- Energy Efficiency Monitoring Research
- Energy Efficient Home Program (Rebates)
- Low-Income Home Energy Assistance Program (LIHEAP)
- Low-Income Weatherization Program
- Research Information Center
- Residential Energy Rehab Program (Enhanced Weatherization)
- State Energy Program Special Projects
- State Energy Program

NOTES TO FINANCIAL STATEMENTS

AHFC's ARRA (American Recovery & Reinvestment Act of 2009) Capital Projects

Energy programs:

- Energy Efficiency and Conservation Block Grants
- Energy Efficient Appliance Rebate
- Energy Assurance / Smart Grid Resiliency (EA/SGR) (vetoed)
- State Energy Program
- Weatherization Program

Low rent programs:

- Capital Fund Program (CFP) - Competitive (not awarded)
- Capital Fund Program (CFP) - Formula

Other programs:

- Emergency Shelter Grants (ESG) – Homeless Prevention and Rapid Re-Housing Program
- HOME Investment Partnerships – Tax Credit Assistance Program (TCAP)
- Low-Income Housing Grants in Lieu of Tax Credits
- Project Based Rental Assistance (AHFC is not considered the Prime Recipient for this program; HUD is responsible for the Federal Report Requirements of the program.)

Housing Units Owned, Managed or Administered

As of March 31, 2012, the Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	986
Low Rent Conventional Housing – Senior Units	343
Affordable Housing	65
Affordable Housing – Senior Units	268
Other Housing Units	33
Section 8 Vouchers – Housing Assistance:	
Housing Choice Vouchers	4,446
Single Room Occupancy	70
	<u>6,211</u>

19 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 2011 Legislature authorized additional funding for the Weatherization program of \$62,500,000 and for the Energy Rebate Program of \$37,500,000.

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, 2012 the Corporation had outstanding commitments of \$36,686,000 and had paid out \$127,623,000 in the rebate program to homeowners since the inception of the program. This commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

20 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Plan Description

As of March 31, 2012, 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.

NOTES TO FINANCIAL STATEMENTS

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 and for all service prior to July 1, 1986, 2¼% for the second ten years of service and 2½% for all remaining years of service. 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.

Employees hired after June 30, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. 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. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. Also the plan does not pay the retiree medical plan premium for retirees under the age of 60 unless the retiree has 30 years of credited service. The employee may elect to pay the full premium cost for medical coverage.

Employees hired after June 30, 1996 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's five-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. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. 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 on or after July 1, 2006):

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59½. 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 6¼% 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. For the fiscal year 2012, 9.92% of covered salary is for the pension plan and 12.08% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 33.49% for the fiscal year 2012 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, 2012 was \$850,000.

The Corporation's contributions to the pension plan for the nine months ended March 31, 2012 was \$1,367,000 and for the years ended June 30, 2011 and June 30, 2010 was \$1,403,000 and \$1,452,000 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the nine months ended March 31, 2012 was \$1,035,000.

The Corporation's contributions to the post employment healthcare plan for the nine months ended March 31, 2012 was \$1,665,000 and for the years ended June 30, 2011 and June 30, 2010 was \$2,636,000 and \$2,559,000 respectively.

NOTES TO FINANCIAL STATEMENTS

Defined Contribution Plans

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2012, the Corporation is required to contribute 5.2% 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. For the fiscal year 2012, the Corporation is required to contribute 0.51% of the annual covered salary plus an annual flat dollar amount of \$1,778.09 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 than 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, 2012, the Corporation paid additional contributions of \$320,000.

The contributions to the pension plan for the nine months ended March 31, 2012 by the employees was \$199,000 and by the Corporation was \$129,000.

The Corporation contributed \$98,000 to a health reimbursement arrangement for the nine months ended March 31, 2012.

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 \$175,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$1,446,000 and \$1,746,000 as of March 31, 2012 and June 30, 2011, 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.

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.

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NOTES TO FINANCIAL STATEMENTS

23 FIVE YEAR FINANCIAL INFORMATION

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

	June 30,				
	2011	2010	2009	2008	2007
Assets and Deferred Outflows					
Cash	\$ 73,411	\$ 59,218	\$ 24,720	\$ 19,034	\$ 45,964
Investments	1,362,107	1,389,605	1,247,669	1,231,404	1,274,544
Accrued interest receivable	13,305	14,647	15,854	16,734	19,340
Mortgage loans, notes and other loans	2,759,511	2,971,253	3,195,444	3,450,063	3,357,754
Net investment in direct financing lease	57,476	61,222	64,802	65,203	27,085
Unamortized bond issuance costs	16,880	19,751	23,252	25,142	24,616
Capital assets, net	121,968	112,759	113,004	116,535	118,743
Other assets	36,446	40,463	46,680	22,004	28,854
Derivative instrument - interest rate swaps	-	-	-	-	-
Deferred outflow of resources	100,936	127,899	-	-	-
Total Assets and Deferred Outflows	4,542,040	4,796,817	4,731,425	4,946,119	4,896,900
Liabilities and Deferred Inflows					
Bonds and notes payable	2,721,113	2,832,647	2,869,153	3,136,866	3,060,887
Short term debt	86,976	149,890	149,724	112,159	119,726
Accrued interest payable	12,688	12,770	13,715	15,303	14,847
Other liabilities	24,549	47,252	26,722	15,620	16,968
Derivative instrument - interest rate swaps	102,895	130,267	-	-	-
Deferred inflow of resources	-	-	-	-	-
Total Liabilities and Deferred Inflows	2,948,221	3,172,826	3,059,314	3,279,948	3,212,428
Total Fund Equity	\$ 1,593,819	\$ 1,623,991	\$ 1,672,111 *	\$ 1,666,171	\$ 1,684,472
	June 30,				
	2011	2010	2009	2008	2007
Operating Revenues					
Mortgage and loans revenue	\$ 164,242	\$ 177,855	\$ 205,138	\$ 202,851	\$ 195,028
Investment interest	8,454	11,605	25,148	56,667	76,631
Net change in fair value of investments	7,766	6,317	570	255	2,214
Net change of hedge termination	410	(794)	-	-	-
Total Investment Revenue	16,630	17,128	25,718	56,922	78,845
Externally funded programs	194,411	191,968	112,587	73,603	63,043
Rental	7,996	8,697	8,577	7,695	6,988
Other	2,416	1,610	3,337	776	1,085
Total Operating Revenues	385,695	397,258	355,357	341,847	344,989
Operating Expenses					
Interest	122,138	130,789	149,021	147,336	158,145
Mortgage and loan costs	11,587	12,709	14,139	14,155	14,034
Operations and administration	54,100	49,678	51,421	42,812	41,410
Financing expenses	8,692	7,456	9,159	6,415	8,945
Provision for loan loss	(6,673)	515	(7,703)	7,098	5,490
Housing grants and subsidies	196,168	194,883	106,480	78,290	65,689
Rental housing operating expenses	12,594	11,002	11,480	10,428	10,799
Total Operating Expenses	398,606	407,032	333,997	306,534	304,512
Operating Income (Loss)	(12,911)	(9,774)	21,360	35,313	40,477
Non-Operating & Special Item					
Contribution to State or State agency	(20,349)	(36,772)	(15,420)	(53,614)	(346,037)
Special item	3,088	-	-	-	-
Change in Net Assets	\$ (30,172)	\$ (46,546)	\$ 5,940	\$ (18,301)	\$ (305,560)

*Does not reflect the FY10 cumulative effect of accounting change.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

COMBINED - ALL FUNDS

As of March 31, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	24,712	-	-	-
Investments	749,339	78,391	155,253	54,263
Accrued interest receivable	1,347	1,082	3,937	1,173
Inter-fund due to/from	(36,427)	7,052	25,702	10,627
Mortgage loans, notes and other loans	89,597	324,530	929,727	251,115
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	1,874	3,900	1,165
Capital assets, non-depreciable	2,539	-	-	-
Capital assets - depreciable, net	9,730	-	-	-
Other assets	13,084	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	1,610	-	-	-
Deferred outflow of resources	-	-	160,530	-
Total Assets and Deferred Outflows	855,531	412,929	1,279,049	318,343
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	368,966	885,314	231,495
Short term debt	24,594	-	-	-
Accrued interest payable	1,406	3,431	11,646	3,658
Other liabilities	8,852	95	288	86
Derivative instrument - interest rate swaps	-	-	160,530	-
Intergovernmental payable	1,160	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	36,012	372,492	1,057,778	235,239
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	12,269	-	-	-
Restricted by bond resolutions	-	40,437	223,671	83,104
Restricted by contractual or statutory agreements	116,642	-	-	-
Unrestricted net assets, (deficit)	690,608	-	(2,400)	-
Total Net Assets (deficit)	819,519	40,437	221,271	83,104

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
-	155	27,026	51,893
217,775	130,101	-	1,385,122
3,036	2,444	-	13,019
12,054	17,943	(36,951)	-
534,059	447,319	-	2,576,347
-	53,192	-	53,192
4,515	4,126	-	15,580
-	-	22,643	25,182
-	-	88,966	98,696
-	5	19,995	33,084
-	-	-	-
-	-	7,493	9,103
21,516	9,046	-	191,092
792,955	664,331	129,172	4,452,310
510,152	616,145	-	2,612,072
-	-	-	24,594
7,657	9,818	-	37,616
240	501	6,849	16,911
21,516	12,173	-	194,219
-	155	-	1,315
-	-	-	-
539,565	638,792	6,849	2,886,727
-	-	111,609	123,878
225,985	-	-	573,197
27,405	-	33,519	177,566
-	25,539	(22,805)	690,942
253,390	25,539	122,323	1,565,583

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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 March 31, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	24,341	371	24,712
Investments	738,233	11,106	749,339
Accrued interest receivable	1,346	1	1,347
Inter-fund due to/from	(36,427)	-	(36,427)
Mortgage loans, notes and other loans	89,597	-	89,597
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets - non-depreciable	2,539	-	2,539
Capital assets - depreciable, net	9,730	-	9,730
Other assets	13,084	-	13,084
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	1,610	-	1,610
Deferred outflow of resources	-	-	-
Total Assets and Deferred Outflows	844,053	11,478	855,531
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	-	-	-
Short term debt	24,594	-	24,594
Accrued interest payable	1,406	-	1,406
Other liabilities	8,852	-	8,852
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	1,160	-	1,160
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	36,012	-	36,012
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	12,269	-	12,269
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	105,164	11,478	116,642
Unrestricted net assets, (deficit)	690,608	-	690,608
Total Net Assets (deficit)	808,041	11,478	819,519

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of March 31, 2012

(in thousands of dollars)

	Bonds 2001 A,B	Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	-	-	7,804	70,587
Accrued interest receivable	-	-	426	656
Inter-fund due to/from	-	-	3,069	3,983
Mortgage loans, notes and other loans	-	-	138,907	185,623
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	828	1,046
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	-	-	151,034	261,895
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	139,911	229,055
Short term debt	-	-	-	-
Accrued interest payable	-	-	1,521	1,910
Other liabilities	-	-	36	59
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	-	141,468	231,024
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	9,566	30,871
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	-	9,566	30,871

Schedule 3

**Mortgage
Revenue
Bonds
Combined
Total**

[illegible]

368,966
-
3,431
95
-
-
-
<u>372,492</u>

$$\begin{array}{r} - \\ 40,437 \\ - \\ - \\ \hline 40,437 \\ \hline \end{array}$$

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of March 31, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	57,315	5,045	4,437	6,069
Accrued interest receivable	664	242	141	163
Inter-fund due to/from	2,561	1,124	1,056	1,366
Mortgage loans, notes and other loans	138,139	46,577	31,959	31,808
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	748	374	223	195
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	29,964	-	-	-
Total Assets and Deferred Outflows	229,391	53,362	37,816	39,601
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	153,788	47,624	27,743	25,379
Short term debt	-	-	-	-
Accrued interest payable	1,765	766	427	447
Other liabilities	49	17	10	11
Derivative instrument - interest rate swaps	29,964	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	185,566	48,407	28,180	25,837
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	43,825	4,955	9,636	13,764
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	43,825	4,955	9,636	13,764

Schedule 4
continued on next page

Bonds 2007 A	Bonds 2007 B	Bonds 2007 C	Bonds 2007 D	Bonds 2008 A	Bonds 2008 B	Bonds 2009 A
-	-	-	-	-	-	-
10,784	9,683	4,524	10,195	3,711	3,669	13,065
258	256	237	297	215	231	297
1,803	1,379	1,523	3,528	988	1,059	3,681
64,192	61,610	49,540	72,984	38,042	50,656	91,478
-	-	-	-	-	-	-
192	120	312	164	177	309	221
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,191	20,164	-	23,674	-	-	22,276
97,420	93,212	56,136	110,842	43,133	55,924	131,018
73,310	73,310	40,385	87,299	26,875	38,466	79,568
-	-	-	-	-	-	-
895	897	642	1,065	461	653	852
23	21	17	24	13	15	22
20,191	20,164	-	23,674	-	-	22,276
-	-	-	-	-	-	-
-	-	-	-	-	-	-
94,419	94,392	41,044	112,062	27,349	39,134	102,718
-	-	-	-	-	-	-
3,001	-	15,092	-	15,784	16,790	28,300
-	-	-	-	-	-	-
-	(1,180)	-	(1,220)	-	-	-
3,001	(1,180)	15,092	(1,220)	15,784	16,790	28,300

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ALASKA HOUSING FINANCE CORPORATION

Schedule 4

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of March 31, 2012

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	12,580	3,974	10,202	155,253
Accrued interest receivable	306	279	351	3,937
Inter-fund due to/from	2,409	1,066	2,159	25,702
Mortgage loans, notes and other loans	93,088	67,374	92,280	929,727
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	206	425	234	3,900
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	22,329	-	21,932	160,530
Total Assets and Deferred Outflows	130,918	73,118	127,158	1,279,049
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	79,568	52,392	79,607	885,314
Short term debt	-	-	-	-
Accrued interest payable	851	773	1,152	11,646
Other liabilities	22	20	24	288
Derivative instrument - interest rate swaps	22,329	-	21,932	160,530
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	102,770	53,185	102,715	1,057,778
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	28,148	19,933	24,443	223,671
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	(2,400)
Total Net Assets (deficit)	28,148	19,933	24,443	221,271

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of March 31, 2012

(in thousands of dollars)

	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	-	694	38,324	15,245
Accrued interest receivable	-	27	867	279
Inter-fund due to/from	-	545	7,924	2,158
Mortgage loans, notes and other loans	-	7,459	191,402	52,254
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	688	477
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	-	8,725	239,205	70,413
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	4,085	174,280	53,130
Short term debt	-	-	-	-
Accrued interest payable	-	70	2,720	868
Other liabilities	-	2	64	20
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	4,157	177,064	54,018
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	4,568	62,141	16,395
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	4,568	62,141	16,395

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of March 31, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	23,515	31,538	53,270	5,264
Accrued interest receivable	23	1,147	394	49
Inter-fund due to/from	31	5,286	2,422	-
Mortgage loans, notes and other loans	3,836	218,442	164,812	16,100
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	2,355	967	117
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	27,405	258,768	221,865	21,530
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	227,420	144,630	14,600
Short term debt	-	-	-	-
Accrued interest payable	-	3,898	2,322	1
Other liabilities	-	42	29	106
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	231,360	146,981	14,707
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	27,408	74,884	6,823
Restricted by contractual or statutory agreements	27,405	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	27,405	27,408	74,884	6,823

Schedule 6

Governmental Purpose Bonds 2001 A-D	Combined Total
-	-
104,188	217,775
1,423	3,036
4,315	12,054
130,869	534,059
-	-
1,076	4,515
-	-
-	-
-	-
-	-
21,516	21,516
263,387	792,955
123,502	510,152
-	-
1,436	7,657
63	240
21,516	21,516
-	-
-	-
146,517	539,565
-	-
116,870	225,985
-	27,405
-	-
116,870	253,390

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON-HOUSING BONDS

As of March 31, 2012

(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 Capital Project Bonds 2011 A
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	100	-
Investments	20,531	13,904	18,069	16,019
Accrued interest receivable	232	391	145	469
Inter-fund due to/from	1,528	3,402	2,003	2,323
Mortgage loans, notes and other loans	44,408	81,965	31,800	86,636
Net investment in direct financing lease	-	-	37,912	-
Unamortized bond issuance costs	411	558	532	681
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	5	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	9,046	-	-	-
Total Assets and Deferred Outflows	76,156	100,225	90,561	106,128
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	60,250	93,785	84,517	101,819
Short term debt	-	-	-	-
Accrued interest payable	757	1,403	1,342	1,602
Other liabilities	17	29	12	32
Derivative instrument - interest rate swaps	12,173	-	-	-
Intergovernmental payable	-	-	100	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	73,197	95,217	85,971	103,453
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	2,959	5,008	4,590	2,675
Total Net Assets (deficit)	2,959	5,008	4,590	2,675

Schedule 7

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	55	155
35,157	26,421	130,101
766	441	2,444
3,776	4,911	17,943
113,376	89,134	447,319
-	15,280	53,192
967	977	4,126
-	-	-
-	-	-
-	-	5
-	-	-
-	-	-
-	-	9,046
154,042	137,219	664,331
139,906	135,868	616,145
-	-	-
2,316	2,398	9,818
39	372	501
-	-	12,173
-	55	155
-	-	-
142,261	138,693	638,792
-	-	-
-	-	-
-	-	-
11,781	(1,474)	25,539
11,781	(1,474)	25,539

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER PROGRAM FUNDS

As of March 31, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Program
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	1,561	12,380	7,371	5,713
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(17,020)	(220)	(791)	(2,839)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets - non-depreciable	6,291	15,212	1,140	-
Capital assets - depreciable, net	4	67,850	21,067	45
Other assets	11,826	997	90	60
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	5,741	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	8,403	96,219	28,877	2,979
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	5,239	968	266	283
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	5,239	968	266	283
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	6,295	83,062	22,207	45
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	1,976	12,434	6,988	5,348
Unrestricted net assets, (deficit)	(5,107)	(245)	(584)	(2,697)
Total Net Assets (deficit)	3,164	95,251	28,611	2,696

Schedule 8

Other Programs	Combined Total
1	27,026
-	-
-	-
(16,081)	(36,951)
-	-
-	-
-	-
-	22,643
-	88,966
7,022	19,995
-	-
1,752	7,493
-	-
(7,306)	129,172
-	-
-	-
-	-
93	6,849
-	-
-	-
-	-
93	6,849
-	111,609
-	-
6,773	33,519
(14,172)	(22,805)
(7,399)	122,323

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 Nine Months Ended March 31, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	7,158	8,609	38,884	12,543
Investment interest	334	101	157	59
Net change in the fair value of investments	5,529	93	123	23
Net change of hedge termination	-	-	-	-
Total Investment Revenue	5,863	194	280	82
Externally funded program	-	-	-	-
Rental	43	-	-	-
Other	1,948	-	251	-
Total Operating Revenues	15,012	8,803	39,415	12,625
<u>OPERATING EXPENSES</u>				
Interest	118	6,166	30,085	8,579
Mortgage and loan costs	1,077	711	2,824	948
Financing expenses	454	655	3,194	339
Provision for loan loss	(4,259)	4,207	(3,174)	(961)
Operations and administration	2,105	2,206	6,845	1,965
Rental housing operating expenses	245	-	-	-
Housing grants and subsidies	3,268	-	-	-
Total Operating Expenses	3,008	13,945	39,774	10,870
Operating Income (Loss)	12,004	(5,142)	(359)	1,755
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(6,889)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(64,926)	19,378	3,196	(16,304)
Change in Net Assets	(59,811)	14,236	2,837	(14,549)
Net assets at beginning of year	879,330	26,201	218,434	97,653
Net Assets at End of Period	819,519	40,437	221,271	83,104

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
24,171	20,916	-	112,281
1,906	2,749	14	5,320
120	8	-	5,896
-	(1,169)	-	(1,169)
2,026	1,588	14	10,047
-	-	125,208	125,208
-	-	6,345	6,388
-	-	324	2,523
26,197	22,504	131,891	256,447
17,726	21,902	-	84,576
1,284	1,547	-	8,391
87	455	-	5,184
250	282	-	(3,655)
3,977	3,357	19,847	40,302
-	-	11,580	11,825
-	-	127,096	130,364
23,324	27,543	158,523	276,987
2,873	(5,039)	(26,632)	(20,540)
-	(807)	-	(7,696)
-	-	-	-
4,131	11,285	43,240	-
7,004	5,439	16,608	(28,236)
246,386	20,100	105,715	1,593,819
253,390	25,539	122,323	1,565,583

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ALASKA HOUSING FINANCE CORPORATION

Schedule 10

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**REVOLVING FUNDS**

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	7,158	-	7,158
Investment interest	324	10	334
Net change in the fair value of investments	5,529	-	5,529
Net change of hedge termination	-	-	-
Total Investment Revenue	5,853	10	5,863
Externally funded program	-	-	-
Rental	43	-	43
Other	1,942	6	1,948
Total Operating Revenues	14,996	16	15,012
<u>OPERATING EXPENSES</u>			
Interest	118	-	118
Mortgage and loan costs	1,077	-	1,077
Financing expenses	454	-	454
Provision for loan loss	(4,259)	-	(4,259)
Operations and administration	2,105	-	2,105
Rental housing operating expenses	245	-	245
Housing grants and subsidies	3,268	-	3,268
Total Operating Expenses	3,008	-	3,008
Operating Income (Loss)	11,988	16	12,004
<u>NONOPERATING EXPENSES,</u>			
<u>SPECIAL ITEMS & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	(6,889)	-	(6,889)
Special Items	-	-	-
Transfers - Internal	(64,926)	-	(64,926)
Change in Net Assets	(59,827)	16	(59,811)
Net assets at beginning of year	867,868	11,462	879,330
Net Assets at End of Period	808,041	11,478	819,519

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Bonds 2001 A,B	Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	990	(1)	4,677	2,943
Investment interest	1	41	13	46
Net change in the fair value of investments	-	-	7	86
Net change of hedge termination	-	-	-	-
Total Investment Revenue	1	41	20	132
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	991	40	4,697	3,075
<u>OPERATING EXPENSES</u>				
Interest	649	40	3,436	2,041
Mortgage and loan costs	68	-	397	246
Financing expenses	515	15	41	84
Provision for loan loss	(1,768)	-	506	5,469
Operations and administration	82	247	974	903
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	(454)	302	5,354	8,743
Operating Income (Loss)	1,445	(262)	(657)	(5,668)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(16,110)	(2,334)	1,283	36,539
Change in Net Assets	(14,665)	(2,596)	626	30,871
Net assets at beginning of year	14,665	2,596	8,940	-
Net Assets at End of Period	-	-	9,566	30,871

Schedule 11

Mortgage Revenue Bonds Combined Total
<u>8,609</u>
101
93
-
<u>194</u>
-
-
-
<u>8,803</u>
6,166
711
655
4,207
2,206
-
-
<u>13,945</u>
<u>(5,142)</u>
-
-
<u>19,378</u>
<u>14,236</u>
26,201
<u>40,437</u>

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	6,585	2,113	1,356	1,513
Investment interest	29	6	4	6
Net change in the fair value of investments	56	3	3	3
Net change of hedge termination	-	-	-	-
Total Investment Revenue	85	9	7	9
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	251	-	-	-
Total Operating Revenues	6,921	2,122	1,363	1,522
<u>OPERATING EXPENSES</u>				
Interest	5,301	1,836	1,107	1,239
Mortgage and loan costs	480	148	91	97
Financing expenses	1,126	101	109	152
Provision for loan loss	(619)	(220)	(157)	(819)
Operations and administration	1,023	353	247	252
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	7,311	2,218	1,397	921
Operating Income (Loss)	(390)	(96)	(34)	601
<u>NONOPERATING EXPENSES,</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	19	363	6,723	11,131
Change in Net Assets	(371)	267	6,689	11,732
Net assets at beginning of year	44,196	4,688	2,947	2,032
Net Assets at End of Period	43,825	4,955	9,636	13,764

Schedule 12
continued on next page

Bonds 2007 A	Bonds 2007 B	Bonds 2007 C	Bonds 2007 D	Bonds 2008 A	Bonds 2008 B	Bonds 2009 A
2,488	2,651	2,204	3,133	1,829	2,323	3,111
16	13	5	16	6	6	15
9	7	2	8	2	2	9
-	-	-	-	-	-	-
25	20	7	24	8	8	24
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,513	2,671	2,211	3,157	1,837	2,331	3,135
2,090	2,105	1,768	2,498	1,449	1,936	2,132
205	207	152	246	117	152	227
107	105	164	128	155	195	57
(54)	159	(697)	190	(421)	(382)	(46)
434	442	383	521	301	385	673
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,782	3,018	1,770	3,583	1,601	2,286	3,043
(269)	(347)	441	(426)	236	45	92
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(6,178)	(11,282)	11,695	(11,223)	13,057	13,557	(12,780)
(6,447)	(11,629)	12,136	(11,649)	13,293	13,602	(12,688)
9,448	10,449	2,956	10,429	2,491	3,188	40,988
3,001	(1,180)	15,092	(1,220)	15,784	16,790	28,300

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ALASKA HOUSING FINANCE CORPORATION

Schedule 12

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	3,137	3,094	3,347	38,884
Investment interest	14	5	16	157
Net change in the fair value of investments	8	3	8	123
Net change of hedge termination	-	-	-	-
Total Investment Revenue	22	8	24	280
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	251
Total Operating Revenues	3,159	3,102	3,371	39,415
<u>OPERATING EXPENSES</u>				
Interest	2,124	2,121	2,379	30,085
Mortgage and loan costs	232	237	233	2,824
Financing expenses	56	194	545	3,194
Provision for loan loss	(4)	(131)	27	(3,174)
Operations and administration	675	504	652	6,845
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,083	2,925	3,836	39,774
Operating Income (Loss)	76	177	(465)	(359)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(12,959)	15,839	(14,766)	3,196
Change in Net Assets	(12,883)	16,016	(15,231)	2,837
Net assets at beginning of year	41,031	3,917	39,674	218,434
Net Assets at End of Period	28,148	19,933	24,443	221,271

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 Nine Months Ended March 31, 2012

(in thousands of dollars)

	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	479	360	9,057	2,647
Investment interest	2	2	42	13
Net change in the fair value of investments	-	-	18	5
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2	2	60	18
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	481	362	9,117	2,665
<u>OPERATING EXPENSES</u>				
Interest	259	201	6,164	1,955
Mortgage and loan costs	32	27	687	202
Financing expenses	83	204	35	17
Provision for loan loss	(98)	(23)	(342)	(498)
Operations and administration	56	61	1,434	414
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	332	470	7,978	2,090
Operating Income (Loss)	149	(108)	1,139	575
<u>NONOPERATING EXPENSES,</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(5,947)	(330)	(7,831)	(2,196)
Change in Net Assets	(5,798)	(438)	(6,692)	(1,621)
Net assets at beginning of year	5,798	5,006	68,833	18,016
Net Assets at End of Period	-	4,568	62,141	16,395

Schedule 13

Combined Total
<u>12,543</u>
59
23
-
<u>82</u>
-
-
-
<u>12,625</u>
8,579
948
339
(961)
1,965
-
-
<u>10,870</u>
1,755
-
-
<u>(16,304)</u>
<u>(14,549)</u>
97,653
<u>83,104</u>

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 Nine Months Ended March 31, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	619	11,344	5,099	228
Investment interest	17	31	33	3
Net change in the fair value of investments	-	16	52	6
Net change of hedge termination	-	-	-	-
Total Investment Revenue	17	47	85	9
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	636	11,391	5,184	237
<u>OPERATING EXPENSES</u>				
Interest	-	8,886	5,258	9
Mortgage and loan costs	40	450	326	-
Financing expenses	-	230	39	120
Provision for loan loss	(402)	1,441	218	-
Operations and administration	56	1,624	1,168	115
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	(306)	12,631	7,009	244
Operating Income (Loss)	942	(1,240)	(1,825)	(7)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(54)	(4,668)	8,236	131
Change in Net Assets	888	(5,908)	6,411	124
Net assets at beginning of year	26,517	33,316	68,473	6,699
Net Assets at End of Period	27,405	27,408	74,884	6,823

Schedule 14

Governmental Purpose Bonds 2001 A-D	Combined Total
6,881	24,171
1,822	1,906
46	120
-	-
1,868	2,026
-	-
-	-
-	-
8,749	26,197
3,573	17,726
468	1,284
(302)	87
(1,007)	250
1,014	3,977
-	-
-	-
3,746	23,324
5,003	2,873
-	-
-	-
486	4,131
5,489	7,004
111,381	246,386
116,870	253,390

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 Nine Months Ended March 31, 2012

(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 Capital Project Bonds 2011 A
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	2,158	3,724	1,524	4,537
Investment interest	99	16	1,603	11
Net change in the fair value of investments	(18)	2	2	8
Net change of hedge termination	(1,169)	-	-	-
Total Investment Revenue	(1,088)	18	1,605	19
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,070	3,742	3,129	4,556
<u>OPERATING EXPENSES</u>				
Interest	2,276	3,121	2,934	2,859
Mortgage and loan costs	177	294	134	310
Financing expenses	110	40	74	81
Provision for loan loss	(184)	(190)	68	(618)
Operations and administration	342	590	246	653
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	2,721	3,855	3,456	3,285
Operating Income (Loss)	(1,651)	(113)	(327)	1,271
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(533)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	1,761	(193)	307	161
Change in Net Assets	(423)	(306)	(20)	1,432
Net assets at beginning of year	3,382	5,314	4,610	1,243
Net Assets at End of Period	2,959	5,008	4,590	2,675

Schedule 15

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
5,442	3,531	20,916
125	895	2,749
(9)	23	8
-	-	(1,169)
116	918	1,588
-	-	-
-	-	-
-	-	-
5,558	4,449	22,504
5,103	5,609	21,902
369	263	1,547
67	83	455
64	1,142	282
874	652	3,357
-	-	-
-	-	-
6,477	7,749	27,543
(919)	(3,300)	(5,039)
(274)	-	(807)
-	-	-
1,034	8,215	11,285
(159)	4,915	5,439
11,940	(6,389)	20,100
11,781	(1,474)	25,539

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 Nine Months Ended March 31, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Program
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	-	-	-	-
Investment interest	3	2	1	8
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	3	2	1	8
Externally funded program	74,677	10,050	1,696	26,576
Rental	-	4,749	1,595	1
Other	1	4	11	45
Total Operating Revenues	74,681	14,805	3,303	26,630
<u>OPERATING EXPENSES</u>				
Interest	-	-	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	3,694	9,555	2,103	3,237
Rental housing operating expenses	1,755	7,781	1,967	77
Housing grants and subsidies	69,762	95	-	22,678
Total Operating Expenses	75,211	17,431	4,070	25,992
Operating Income (Loss)	(530)	(2,626)	(767)	638
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	1,252	3,680	784	(63)
Change in Net Assets	722	1,054	17	575
Net assets at beginning of year	2,442	94,197	28,594	2,121
Net Assets at End of Period	3,164	95,251	28,611	2,696

Schedule 16

Other Programs	Combined Total
-	-
-	14
-	-
-	-
-	14
12,209	125,208
-	6,345
263	324
12,472	131,891
-	-
-	-
-	-
-	-
1,258	19,847
-	11,580
34,561	127,096
35,819	158,523
(23,347)	(26,632)
-	-
-	-
37,587	43,240
14,240	16,608
(21,639)	105,715
(7,399)	122,323

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

COMBINED - ALL FUNDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds and Notes
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	3,281	8,256	35,717	11,436
Principal payments received on mortgages and loans	8,636	24,500	183,011	71,221
Purchases of mortgages and loans	(303,630)	-	-	-
Receipt (payment) for loan transfers between funds	275,958	(96,145)	(73,635)	(12,921)
Payments to employees and other payroll disbursements	(17,994)	-	-	-
Payments for goods and services	(10,880)	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	710,807	28,080	212,942	77,732
Interfund Payments	(693,878)	(32,872)	(219,603)	(82,979)
Grant payments to other agencies	(31,578)	-	-	-
Other operating cash receipts	29,342	-	166,833	-
Other operating cash payments	(14,031)	-	(166,629)	-
Net cash provided by (used for) operating activities	(43,967)	(68,181)	138,636	64,489
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	100,305	-	-
Principal paid on bonds	-	(40,705)	(124,835)	(13,335)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,062)	-	-	-
Interest paid	(1,581)	(3,549)	(21,331)	(5,891)
Proceeds from issuance of short term debt	277,251	-	-	-
Payment of short term debt	(339,621)	-	-	-
Contributions to the State of Alaska or other State agencies	(6,758)	-	-	-
Transfers (to) from other funds	101,485	(73,811)	(13,619)	(8,120)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	29,714	(17,760)	(159,785)	(27,346)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(1,693)	-	-	-
Proceeds from the disposal of capital assets	1	-	-	-
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	(30)	-	-	-
Net cash provided by (used for) capital financing activities	(1,722)	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(2,399,223)	(365,771)	(407,419)	(251,332)
Proceeds from maturity of investments	2,398,206	443,571	428,397	214,128
Interest received from investments	252	71	171	61
Net cash provided by (used for) investing activities	(765)	77,871	21,149	(37,143)
Net Increase (decrease) in cash	(16,740)	(8,070)	-	-
Cash at the beginning of year	41,452	8,070	-	-
Cash at the end of period	24,712	-	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	12,004	(5,142)	(359)	1,755
<u>Adjustments:</u>				
Depreciation expense	427	-	-	-
Provision for loan losses	(4,259)	4,207	(3,174)	(961)
Amortization of bond issuance costs	-	571	1,101	129
Net change in the fair value of investments	(5,529)	(93)	(123)	(23)
Transfers between funds for operating activity	(64,936)	3,250	9,283	2,177
Interest received from investments	(252)	(71)	(171)	(61)
Interest paid	1,581	3,549	21,331	5,891
<u>Changes in assets and liabilities:</u>				
Net increase (decrease) in mortgages and loans	(19,036)	(71,645)	109,376	58,300
Net increase (decrease) in assets and liabilities	36,033	(2,807)	1,372	(2,718)
Net cash provided by (used for) operating activities	(43,967)	(68,181)	138,636	64,489

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
22,892	19,504	-	101,086
89,708	99,467	-	476,543
-	-	-	(303,630)
(39,770)	(53,487)	-	-
-	-	(10,710)	(28,704)
-	-	(11,937)	(22,817)
-	-	103,182	103,182
-	-	26,110	26,110
-	-	(24,845)	(24,845)
114,313	112,061	110,239	1,366,174
(111,532)	(119,447)	(105,863)	(1,366,174)
-	-	(82,244)	(113,822)
-	1,888	8,688	206,751
-	(4,859)	(1,371)	(186,890)
75,611	55,127	11,249	232,964
-	-	-	100,305
(14,225)	(12,509)	-	(205,609)
-	-	-	-
-	-	-	(1,062)
(11,728)	(13,921)	-	(58,001)
-	-	-	277,251
-	-	-	(339,621)
-	(807)	-	(7,565)
(5,840)	-	(95)	-
-	-	-	-
(31,793)	(27,237)	(95)	(234,302)
-	-	(4,907)	(6,600)
-	-	2	3
-	-	-	-
-	(3,976)	-	(3,976)
-	-	-	-
-	(1,525)	-	(1,525)
-	6,771	-	6,771
-	-	-	(30)
-	1,270	(4,905)	(5,357)
(556,502)	(361,159)	-	(4,341,406)
511,299	328,717	-	4,324,318
1,385	311	14	2,265
(43,818)	(32,131)	14	(14,823)
-	(2,971)	6,263	(21,518)
-	3,126	20,763	73,411
-	155	27,026	51,893
2,873	(5,039)	(26,632)	(20,540)
-	-	5,038	5,465
250	282	-	(3,655)
276	286	-	2,363
(120)	(8)	-	(5,896)
4,468	4,053	41,705	-
(1,385)	(311)	(14)	(2,265)
11,728	15,446	-	59,526
49,938	45,980	-	172,913
7,583	(5,562)	(8,848)	25,053
75,611	55,127	11,249	232,964

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ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS**REVOLVING FUNDS**

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

Schedule 18

	Administrative Fund	Home Ownership Fund	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	3,281	-	3,281
Principal payments received on mortgages and loans	8,636	-	8,636
Purchases of mortgages and loans	(303,630)	-	(303,630)
Receipt (payment) for loan transfers between funds	275,958	-	275,958
Payments to employees and other payroll disbursements	(17,994)	-	(17,994)
Payments for goods and services	(10,880)	-	(10,880)
Cash received for externally funded programs	-	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund Receipts	710,807	-	710,807
Interfund Payments	(693,878)	-	(693,878)
Grant payments to other agencies	(31,578)	-	(31,578)
Other operating cash receipts	29,336	6	29,342
Other operating cash payments	(14,031)	-	(14,031)
Net cash provided by (used for) operating activities	(43,973)	6	(43,967)
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,062)	-	(1,062)
Interest paid	(1,581)	-	(1,581)
Proceeds from issuance of short term debt	277,251	-	277,251
Payment of short term debt	(339,621)	-	(339,621)
Contributions to the State of Alaska or other State agencies	(6,758)	-	(6,758)
Transfers (to) from other funds	101,485	-	101,485
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	29,714	-	29,714
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(1,693)	-	(1,693)
Proceeds from the disposal of capital assets	1	-	1
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	(30)	-	(30)
Net cash provided by (used for) capital financing activities	(1,722)	-	(1,722)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(2,388,112)	(11,111)	(2,399,223)
Proceeds from maturity of investments	2,387,104	11,102	2,398,206
Interest received from investments	243	9	252
Net cash provided by (used for) investing activities	(765)	-	(765)
Net Increase (decrease) in cash	(16,746)	6	(16,740)
Cash at the beginning of year	41,087	365	41,452
Cash at the end of period	24,341	371	24,712
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	11,988	16	12,004
Adjustments:			
Depreciation expense	427	-	427
Provision for loan losses	(4,259)	-	(4,259)
Amortization of bond issuance costs	-	-	-
Net change in the fair value of investments	(5,529)	-	(5,529)
Transfers between funds for operating activity	(64,936)	-	(64,936)
Interest received from investments	(243)	(9)	(252)
Interest paid	1,581	-	1,581
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(19,036)	-	(19,036)
Net increase (decrease) in assets and liabilities	36,034	(1)	36,033
Net cash provided by (used for) operating activities	(43,973)	6	(43,967)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Bonds 2001 A,B	Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	790	-	4,286	3,180
Principal payments received on mortgages and loans	3,503	-	10,207	10,790
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	60	-	(23,195)	(73,010)
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	5,035	-	12,947	10,098
Interfund Payments	(4,293)	-	(14,551)	(14,028)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	5,095	-	(10,306)	(62,970)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	100,305
Principal paid on bonds	(39,165)	-	(1,540)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(838)	(293)	(2,287)	(131)
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	25,892	(131,334)	(1,619)	33,250
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(14,111)	(131,627)	(5,446)	133,424
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(34,062)	(9)	(30,454)	(301,246)
Proceeds from maturity of investments	35,007	131,627	46,191	230,746
Interest received from investments	1	9	15	46
Net cash provided by (used for) investing activities	946	131,627	15,752	(70,454)
Net Increase (decrease) in cash	(8,070)	-	-	-
Cash at the beginning of year	8,070	-	-	-
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	1,445	(262)	(657)	(5,668)
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(1,768)	-	506	5,469
Amortization of bond issuance costs	512	12	31	16
Net change in the fair value of investments	-	-	(7)	(86)
Transfers between funds for operating activity	(238)	250	1,111	2,127
Interest received from investments	(1)	(9)	(15)	(46)
Interest paid	838	293	2,287	131
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	3,563	-	(12,988)	(62,220)
Net increase (decrease) in assets and liabilities	744	(284)	(574)	(2,693)
Net cash provided by (used for) operating activities	5,095	-	(10,306)	(62,970)

Schedule 19

**Mortgage
Revenue
Bonds
Combined
Total**

8,256
24,500
-
(96,145)
-
-
-
-
28,080
(32,872)
-
-
-
<u>(68,181)</u>

100,305
(40,705)
-
-
(3,549)
-
-
-
(73,811)
-
<u>(17,760)</u>

-
-
-
-
-
-
-
-
-
<u>-</u>
<u>-</u>

(365,771)
443,571
71
<u>77,871</u>
(8,070)
8,070
<u>-</u>
<u>-</u>

(5,142)
-
4,207
571
(93)
3,250
(71)
3,549
(71,645)
(2,807)
<u>(68,181)</u>
<u>(68,181)</u>

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	6,094	1,918	1,251	1,384
Principal payments received on mortgages and loans	24,481	10,195	7,139	9,337
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(5,225)	360	82	941
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	30,260	12,171	8,167	10,578
Interfund Payments	(30,696)	(12,162)	(8,424)	(10,764)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	166,833	-	-	-
Other operating cash payments	(166,629)	-	-	-
Net cash provided by (used for) operating activities	25,118	12,482	8,215	11,476
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(640)	(9,855)	(11,600)	(17,430)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(3,510)	(1,374)	(885)	(1,071)
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	(3,058)	-	6,471	10,875
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(7,208)	(11,229)	(6,014)	(7,626)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(93,076)	(22,220)	(14,771)	(19,517)
Proceeds from maturity of investments	75,134	20,959	12,566	15,661
Interest received from investments	32	8	4	6
Net cash provided by (used for) investing activities	(17,910)	(1,253)	(2,201)	(3,850)
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)	(390)	(96)	(34)	601
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(619)	(220)	(157)	(819)
Amortization of bond issuance costs	27	92	104	147
Net change in the fair value of investments	(56)	(3)	(3)	(3)
Transfers between funds for operating activity	2,112	364	252	257
Interest received from investments	(32)	(8)	(4)	(6)
Interest paid	3,510	1,374	885	1,071
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	19,256	10,555	7,221	10,278
Net increase (decrease) in assets and liabilities	1,310	424	(49)	(50)
Net cash provided by (used for) operating activities	25,118	12,482	8,215	11,476

Schedule 20
continued on next page

Bonds 2007 A	Bonds 2007 B	Bonds 2007 C	Bonds 2007 D	Bonds 2008 A	Bonds 2008 B	Bonds 2009 A
2,302	2,446	2,006	2,896	1,654	2,139	2,859
12,309	13,017	9,582	14,757	9,477	9,394	20,354
-	-	-	-	-	-	-
(13,126)	(8,973)	822	(11,129)	658	393	(12,424)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,074	15,272	10,869	15,856	11,457	11,260	22,058
(14,670)	(15,524)	(11,634)	(17,724)	(11,175)	(11,579)	(23,306)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
889	6,238	11,645	4,656	12,071	11,607	9,541
-	-	-	-	-	-	-
-	-	(19,275)	-	(22,015)	(22,405)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,372)	(1,386)	(1,360)	(1,644)	(1,193)	(1,490)	(1,468)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(7,995)	(13,218)	11,311	(13,095)	12,546	13,171	(14,254)
-	-	-	-	-	-	-
(9,367)	(14,604)	(9,324)	(14,739)	(10,662)	(10,724)	(15,722)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(27,592)	(25,696)	(19,007)	(31,767)	(16,244)	(16,922)	(36,729)
36,052	34,048	16,680	41,833	14,829	16,033	42,894
18	14	6	17	6	6	16
8,478	8,366	(2,321)	10,083	(1,409)	(883)	6,181
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(269)	(347)	441	(426)	236	45	92
-	-	-	-	-	-	-
(54)	159	(697)	190	(421)	(382)	(46)
5	3	162	4	154	194	6
(9)	(7)	(2)	(8)	(2)	(2)	(9)
611	598	384	719	304	387	761
(18)	(14)	(6)	(17)	(6)	(6)	(16)
1,372	1,386	1,360	1,644	1,193	1,490	1,468
(817)	4,044	10,404	3,628	10,135	9,787	7,930
68	416	(401)	(1,078)	478	94	(645)
889	6,238	11,645	4,656	12,071	11,607	9,541

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ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOME BUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

Schedule 20

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	2,852	2,834	3,082	35,717
Principal payments received on mortgages and loans	18,784	6,578	17,607	183,011
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(12,203)	416	(14,227)	(73,635)
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	20,685	9,295	20,940	212,942
Interfund Payments	(21,723)	(9,450)	(20,772)	(219,603)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	166,833
Other operating cash payments	-	-	-	(166,629)
Net cash provided by (used for) operating activities	8,395	9,673	6,630	138,636
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(21,615)	-	(124,835)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(1,462)	(1,627)	(1,489)	(21,331)
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	(14,314)	14,915	(16,974)	(13,619)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(15,776)	(8,327)	(18,463)	(159,785)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(36,572)	(14,173)	(33,133)	(407,419)
Proceeds from maturity of investments	43,938	12,822	44,948	428,397
Interest received from investments	15	5	18	171
Net cash provided by (used for) investing activities	7,381	(1,346)	11,833	21,149
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)	76	177	(465)	(359)
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(4)	(131)	27	(3,174)
Amortization of bond issuance costs	5	192	6	1,101
Net change in the fair value of investments	(8)	(3)	(8)	(123)
Transfers between funds for operating activity	765	506	1,263	9,283
Interest received from investments	(15)	(5)	(18)	(171)
Interest paid	1,462	1,627	1,489	21,331
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	6,581	6,994	3,380	109,376
Net increase (decrease) in assets and liabilities	(467)	316	956	1,372
Net cash provided by (used for) operating activities	8,395	9,673	6,630	138,636

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	422	330	8,322	2,362
Principal payments received on mortgages and loans	2,677	3,140	52,210	13,194
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	900	24	(14,795)	950
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	3,344	3,016	57,079	14,293
Interfund Payments	(3,100)	(3,484)	(60,775)	(15,620)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	4,243	3,026	42,041	15,179
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(8,490)	(2,205)	(2,480)	(160)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(297)	(156)	(4,133)	(1,305)
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	4,437	(596)	(9,350)	(2,611)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(4,350)	(2,957)	(15,963)	(4,076)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(13,305)	(5,118)	(180,791)	(52,118)
Proceeds from maturity of investments	13,410	5,047	154,670	41,001
Interest received from investments	2	2	43	14
Net cash provided by (used for) investing activities	107	(69)	(26,078)	(11,103)
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)	149	(108)	1,139	575
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(98)	(23)	(342)	(498)
Amortization of bond issuance costs	83	-	31	15
Net change in the fair value of investments	-	-	(18)	(5)
Transfers between funds for operating activity	(22)	265	1,519	415
Interest received from investments	(2)	(2)	(43)	(14)
Interest paid	297	156	4,133	1,305
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	3,577	3,164	37,415	14,144
Net increase (decrease) in assets and liabilities	259	(426)	(1,793)	(758)
Net cash provided by (used for) operating activities	4,243	3,026	42,041	15,179

Schedule 21

Combined Total
11,436
71,221
-
(12,921)
-
-
-
-
77,732
(82,979)
-
-
-
<u>64,489</u>
-
(13,335)
-
-
(5,891)
-
-
-
(8,120)
-
<u>(27,346)</u>
-
-
-
-
-
-
-
-
<u>-</u>
<u>-</u>
(251,332)
214,128
61
<u>(37,143)</u>
-
-
<u>-</u>
<u>-</u>
1,755
-
(961)
129
(23)
2,177
(61)
5,891
58,300
(2,718)
<u>64,489</u>
<u>64,489</u>

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

OTHER HOUSING BONDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	528	10,950	4,803	310
Principal payments received on mortgages and loans	1,929	31,472	22,483	1,190
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	13,924	(34,135)	(20,383)	-
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	2,580	46,908	26,713	-
Interfund Payments	(2,466)	(42,592)	(27,381)	-
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	16,495	12,603	6,235	1,500
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(10,705)	(1,235)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	(6,001)	(3,513)	(9)
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	-	(5,598)	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(22,304)	(4,748)	(9)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(25,219)	(208,584)	(119,894)	(7,111)
Proceeds from maturity of investments	8,711	218,253	118,371	5,617
Interest received from investments	13	32	36	3
Net cash provided by (used for) investing activities	(16,495)	9,701	(1,487)	(1,491)
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)	942	(1,240)	(1,825)	(7)
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(402)	1,441	218	-
Amortization of bond issuance costs	-	171	35	6
Net change in the fair value of investments	-	(16)	(52)	(6)
Transfers between funds for operating activity	(54)	1,799	1,253	131
Interest received from investments	(13)	(32)	(36)	(3)
Interest paid	-	6,001	3,513	9
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	15,853	(2,663)	2,100	1,190
Net increase (decrease) in assets and liabilities	169	7,142	1,029	180
Net cash provided by (used for) operating activities	16,495	12,603	6,235	1,500

Schedule 22

Governmental Purpose Bonds 2001 A-D	Combined Total
6,301	22,892
32,634	89,708
-	-
824	(39,770)
-	-
-	-
-	-
-	-
38,112	114,313
(39,093)	(111,532)
-	-
-	-
-	-
<u>38,778</u>	<u>75,611</u>
-	-
(2,285)	(14,225)
-	-
-	-
(2,205)	(11,728)
-	-
-	-
-	-
(242)	(5,840)
-	-
<u>(4,732)</u>	<u>(31,793)</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
(195,694)	(556,502)
160,347	511,299
1,301	1,385
<u>(34,046)</u>	<u>(43,818)</u>
-	-
-	-
<u>-</u>	<u>-</u>
5,003	2,873
-	-
(1,007)	250
64	276
(46)	(120)
1,339	4,468
(1,301)	(1,385)
2,205	11,728
33,458	49,938
(937)	7,583
<u>38,778</u>	<u>75,611</u>

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

NON-HOUSING BONDS

For the Nine Months Ended March 31, 2012

(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 Capital Project Bonds 2011 A
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	1,973	3,427	1,380	4,206
Principal payments received on mortgages and loans	11,923	17,494	8,501	16,047
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	(9,404)	-	-
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	14,428	19,620	8,583	19,763
Interfund Payments	(13,953)	(21,004)	(9,920)	(20,334)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	1,833	-
Other operating cash payments	-	-	(2,127)	-
Net cash provided by (used for) operating activities	14,371	10,133	8,250	19,682
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(438)	-	(3,270)	(6,320)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(362)	(2,105)	(2,078)	(2,466)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	(533)	-	-	-
Transfers (to) from other funds	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(1,333)	(2,105)	(5,348)	(8,786)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	(3,942)	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	(1,316)	-	-	-
Proceeds from the direct financing lease payments	-	-	3,304	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(5,258)	-	3,304	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(45,151)	(59,886)	(56,883)	(39,166)
Proceeds from maturity of investments	37,256	51,842	50,364	28,259
Interest received from investments	115	16	19	11
Net cash provided by (used for) investing activities	(7,780)	(8,028)	(6,500)	(10,896)
Net Increase (decrease) in cash	-	-	(294)	-
Cash at the beginning of year	-	-	394	-
Cash at the end of period	-	-	100	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(1,651)	(113)	(327)	1,271
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(184)	(190)	68	(618)
Amortization of bond issuance costs	64	15	45	79
Net change in the fair value of investments	18	(2)	(2)	(8)
Transfers between funds for operating activity	396	619	276	630
Interest received from investments	(115)	(16)	(19)	(11)
Interest paid	1,678	2,105	2,078	2,466
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	11,923	8,090	8,501	16,047
Net increase (decrease) in assets and liabilities	2,242	(375)	(2,370)	(174)
Net cash provided by (used for) operating activities	14,371	10,133	8,250	19,682

Schedule 23

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
5,073	3,445	19,504
20,907	24,595	99,467
-	-	-
(18,499)	(25,584)	(53,487)
-	-	-
-	-	-
-	-	-
-	-	-
24,361	25,306	112,061
(26,084)	(28,152)	(119,447)
-	-	-
-	55	1,888
-	(2,732)	(4,859)
5,758	(3,067)	55,127
-	-	-
(536)	(1,945)	(12,509)
-	-	-
-	-	-
(3,274)	(3,636)	(13,921)
-	-	-
-	-	-
(274)	-	(807)
-	-	-
-	-	-
(4,084)	(5,581)	(27,237)
-	-	-
-	-	-
-	-	-
(34)	-	(3,976)
-	-	-
(209)	-	(1,525)
-	3,467	6,771
-	-	-
(243)	3,467	1,270
(90,722)	(69,351)	(361,159)
89,165	71,831	328,717
126	24	311
(1,431)	2,504	(32,131)
-	(2,677)	(2,971)
-	2,732	3,126
-	55	155
(919)	(3,300)	(5,039)
-	-	-
64	1,142	282
29	54	286
9	(23)	(8)
1,034	1,098	4,053
(126)	(24)	(311)
3,483	3,636	15,446
2,408	(989)	45,980
(224)	(4,661)	(5,562)
5,758	(3,067)	55,127

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

OTHER PROGRAM FUNDS

For the Nine Months Ended March 31, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Program
<u>Cash flows from operating activities:</u>				
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	(1,185)	(5,413)	(1,107)	(2,331)
Payments for goods and services	(4,368)	(5,833)	(1,201)	(279)
Cash received for externally funded programs	75,983	10,222	1,697	2,828
Cash received for Federal HAP subsidies	-	-	-	26,110
Payments for Federal HAP subsidies	-	-	-	(24,845)
Interfund Receipts	79,421	11,024	2,236	2,581
Interfund Payments	(76,184)	(12,265)	(2,329)	(983)
Grant payments to other agencies	(69,087)	-	-	-
Other operating cash receipts	203	4,753	1,641	214
Other operating cash payments	-	(32)	-	(315)
Net cash provided by (used for) operating activities	4,783	2,456	937	2,980
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	-	-	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	-	-	-
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	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	-
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(4,784)	(103)	-	(20)
Proceeds from the disposal of capital assets	-	1	-	1
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	(4,784)	(102)	-	(19)
<u>Cash flows from investing activities:</u>				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	3	2	1	8
Net cash provided by (used for) investing activities	3	2	1	8
Net Increase (decrease) in cash	2	2,356	938	2,969
Cash at the beginning of year	1,559	10,024	6,433	2,744
Cash at the end of period	1,561	12,380	7,371	5,713
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(530)	(2,626)	(767)	638
<i>Adjustments:</i>				
Depreciation expense	3	4,157	868	10
Provision for loan losses	-	-	-	-
Amortization of bond issuance costs	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	1,252	2,060	774	(63)
Interest received from investments	(3)	(2)	(1)	(8)
Interest paid	-	-	-	-
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	-	-	-	-
Net increase (decrease) in assets and liabilities	4,061	(1,133)	63	2,403
Net cash provided by (used for) operating activities	4,783	2,456	937	2,980

Schedule 24

Other Programs	Combined Total
-	-
-	-
-	-
-	-
(674)	(10,710)
(256)	(11,937)
12,452	103,182
-	26,110
-	(24,845)
14,977	110,239
(14,102)	(105,863)
(13,157)	(82,244)
1,877	8,688
(1,024)	(1,371)
93	11,249

-	-
-	-
-	-
-	-
-	-
-	-
-	-
(95)	(95)
-	-
(95)	(95)

-	(4,907)
-	2
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	(4,905)

-	-
-	-
-	14
-	14
(2)	6,263
3	20,763
1	27,026

(23,347)	(26,632)
-	5,038
-	-
-	-
-	-
37,682	41,705
-	(14)
-	-
-	-
(14,242)	(8,848)
93	11,249

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a component unit of the State of Alaska

Financial Statements
And Independent Auditor's Report

June 30, 2011

With Summarized Financial Information for
June 30, 2010

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This 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

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, 2011, 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 2010 financial statements and in our report dated September 20, 2010, 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, 2011, 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 26, 2011, 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.

The Board of Directors
Alaska Housing Finance Corporation:

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is 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
September 26, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2010 is also presented here in the Management's Discussion and Analysis and the footnotes to facilitate and enhance the understanding of the Corporation's financial position, and the results of operations 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, 2011. 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*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2011, 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, 2011, the Administrative Fund reported net assets of \$868 million, an increase of \$48 million from June 30, 2010. The increase in net assets can be primarily attributed to Operating income of \$22 million, internal transfers to the Administrative fund of \$40 million, and a special item gain of \$3 million offset by contributions to the State of Alaska of \$17 million. Approximately \$12 million of the Administrative Fund's net assets are invested in capital assets net of related debt or 1%, \$126 million, or 15%, are restricted by contractual or statutory agreements and \$730 million, or 84%, are unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The Administrative Fund reported operating income of \$22 million for FY 2011, a \$1 million decrease from FY 2010 due primarily to a decrease of \$6 million in loan revenue offset by a increase in the fair value of investments of \$2 million and a decrease in total operating expenses of \$3 million.

The *Energy Programs* account for resources and programs used to assist in improving the energy efficiency of Alaska homes. These programs include the Weatherization and Home Energy Rebate programs.

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 loss was \$13 million.
- The Corporation's assets exceeded its liabilities, as of June 30, 2011, by \$1.6 billion (net assets).
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2011, mortgage loans decreased by 7%.
- During the fiscal year ended June 30, 2011, the Corporation's total assets decreased by \$227 million and total liabilities, without derivatives, decreased by \$197 million.
- The Corporation realized a gain of \$3 million from the sale of land.
- The Corporation purchased the Corporate headquarters building for \$12 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENT OF NET ASSETS

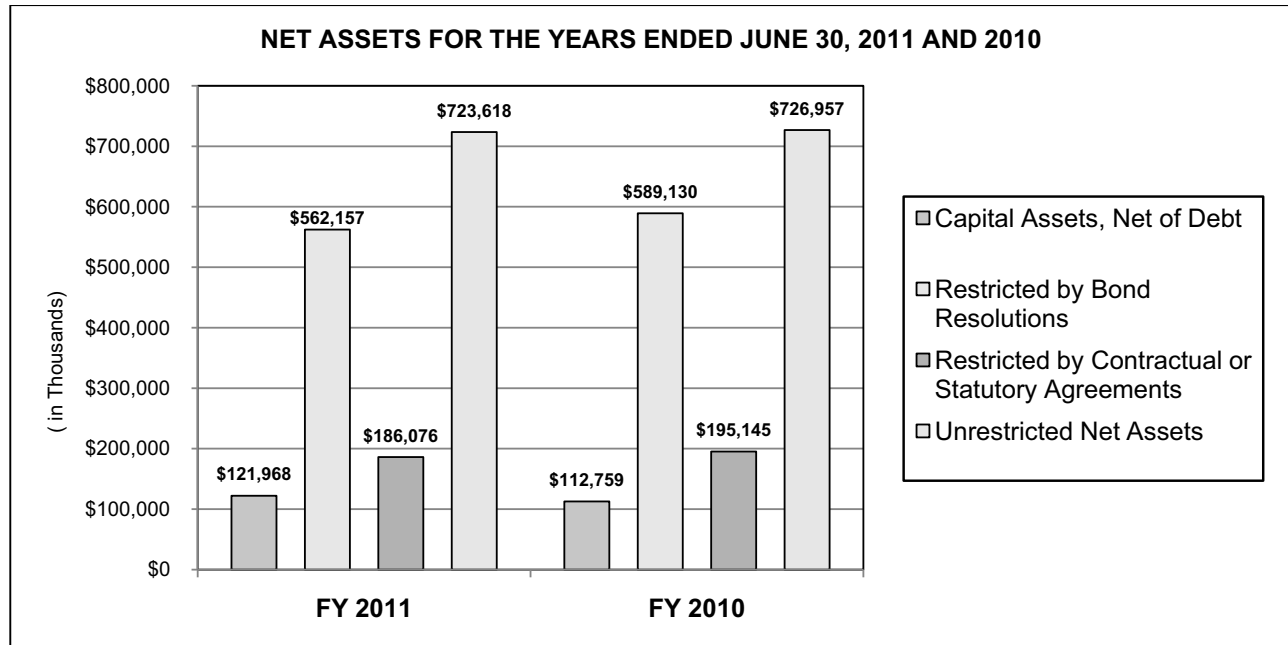
The following table presents condensed information about the financial position of the Corporation as of June 30, 2011 and 2010, and changes in the balances of selected items during the fiscal year ended June 30, 2011 (in thousands):

	2011	2010	Change	Increase (Decrease)
Investments	1,362,107	1,389,605	(27,498)	(2.0) %
Mortgage loans, notes and other loans, net	2,759,511	2,971,253	(211,742)	(7.1) %
Capital assets, net	121,968	112,759	9,209	8.2 %
Total assets, excluding deferred outflows	4,441,104	4,668,918	(227,814)	(4.9) %
Bonds and notes, net	2,721,113	2,832,647	(111,534)	(3.9) %
Short term debt	86,976	149,890	(62,914)	(42.0) %
Total liabilities, excluding derivatives	2,845,326	3,042,559	(197,233)	(6.5) %
Total net assets, net	1,593,819	1,623,991	(30,172)	(1.9) %

The decrease in total assets during FY 2011 can be primarily attributed to decreases in investments and mortgage loans. The decrease in mortgage loans resulted from collection of loan payments exceeding new loan purchases.

The decrease in total liabilities is primarily attributed to decreases in bond debt and short term debt.

The chart below represents the classification of unrestricted and restricted net assets, and capital assets, net of debt, for FY 2011 and FY 2010.

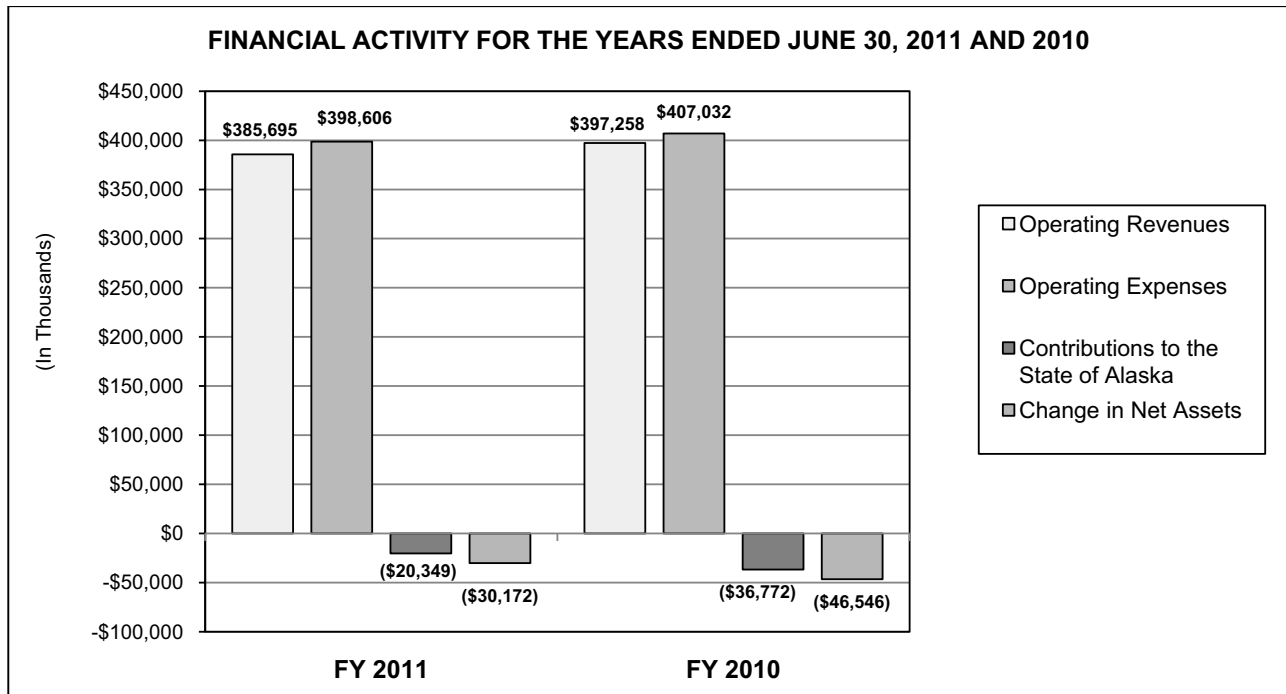


MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011 and 2010, and the variances from the prior fiscal year (in thousands):

	2011	2010	Change	Increase (Decrease)
Mortgage and loan revenue	164,242	177,855	(13,613)	(7.7) %
Investment interest income	8,454	11,605	(3,151)	(27.2) %
Net change in the fair value of investments	7,766	6,317	1,449	22.9 %
Externally funded programs	194,411	191,968	2,443	1.3 %
Total operating revenues	385,695	397,258	(11,563)	(2.9) %
Interest expense	122,138	130,789	(8,651)	(6.6) %
Operations and administration	54,100	49,678	4,422	8.9 %
Housing grants and subsidies	196,168	194,883	1,285	0.7 %
Total operating expenses	398,606	407,032	(8,426)	(2.1) %
Operating loss	(12,911)	(9,774)	3,137	(32.1) %
Contributions to the SOA or other State agencies	(20,349)	(36,772)	(16,423)	(44.7) %
Special item	3,088	-	3,088	100.0 %
Change in net assets	(30,172)	(46,546)	16,374	(35.2) %



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total operating revenues decreased by \$12 million, or 3%, during FY 2011 primarily due to decreases in mortgage and loan revenue and net investment earnings.

Total operating expenses decreased by \$8 million, or 2% during FY 2011 primarily due to decreases in interest expense and loan loss offset by an increase in operations and administration expense.

The net effect of changes in operating revenues and expenses was a \$3 million or 32 % increase in operating loss from FY 2010.

During the fiscal year 2011, the Corporation recorded a gain on the sale of land in the amount of \$3 million. The land was not used in the regular course of business. Because the sale of land was unique in nature and not part of the normal operations of the Corporation, the gain on the sale was treated as a special item on the Corporation's Statement of Revenues, Expenses and Changes in Net Assets.

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 2011 were \$20 million and for FY 2010 were \$37 million. In FY 2011 the Transfer Plan called for payment of the lesser of \$103 million or 75% of the Corporation's adjusted net income. Subsequent to GASB 34, the Corporation interprets net income as operating income.

DEBT ADMINISTRATION

As of June 30, 2011, the Corporation had \$2.7 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+

Significant debt activity during the year included the following:

- Issued \$79 million in Tax-Exempt Home Mortgage Revenue Bonds;
- Issued \$105 million in State Capital Projects Bonds
- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of \$253 million;
- Converted \$64 million bonds under the federal New Issue Bond Program.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.us.

ALASKA HOUSING FINANCE CORPORATION

Exhibit A

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of June 30, 2011

(in thousands of dollars)

	Administrative Fund	Energy Programs	Other Non-Major Funds	Total June 30, 2011
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	41,087	1,559	30,765	73,411
Investments	731,500	-	630,607	1,362,107
Accrued interest receivable	1,440	-	11,865	13,305
Inter-fund due to/from	(8,385)	(14,123)	22,508	-
Mortgage loans, notes and other loans	178,172	-	2,581,339	2,759,511
Net investment in direct financing lease	-	-	57,476	57,476
Unamortized bond issuance costs	-	-	16,880	16,880
Capital assets - non-depreciable	139	1,076	14,677	15,892
Capital assets - depreciable, net	12,160	8	93,908	106,076
Other assets	8,668	10,006	4,757	23,431
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	1,267	10,186	1,562	13,015
Deferred outflow of resources	-	-	100,936	100,936
Total Assets and Deferred Outflows	966,048	8,712	3,567,280	4,542,040
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	2,721,113	2,721,113
Short term debt	86,976	-	-	86,976
Accrued interest payable	1,300	-	11,388	12,688
Other liabilities	8,875	6,270	5,011	20,156
Derivative instrument - interest rate swaps	-	-	102,895	102,895
Intergovernmental payable	1,029	-	3,364	4,393
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	98,180	6,270	2,843,771	2,948,221
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	12,299	1,084	108,585	121,968
Restricted by bond resolutions	-	-	562,157	562,157
Restricted by contractual or statutory agreements	125,377	1,732	58,967	186,076
Unrestricted net assets, (deficit)	730,192	(374)	(6,200)	723,618
Total Net Assets	867,868	2,442	723,509	1,593,819

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, 2011

(in thousands of dollars)

	Administrative Fund	Energy Programs	Other Non-Major Funds	Total June 30, 2011
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	13,668	-	150,574	164,242
Investment interest	537	5	7,912	8,454
Net change in the fair value of investments	7,822	-	(56)	7,766
Net change of hedge termination	-	-	410	410
Total Investment Revenue	8,359	5	8,266	16,630
Externally funded programs	-	115,490	78,921	194,411
Rental	28	-	7,968	7,996
Other	1,849	2	565	2,416
Total Operating Revenues	23,904	115,497	246,294	385,695
<u>OPERATING EXPENSES</u>				
Interest	429	-	121,709	122,138
Mortgage and loan costs	1,394	-	10,193	11,587
Financing expenses	497	-	8,195	8,692
Provision for loan loss	(2,128)	-	(4,545)	(6,673)
Operations and administration	1,779	4,732	47,589	54,100
Rental housing operating expenses	161	331	12,102	12,594
Housing grants and subsidies	-	110,644	85,524	196,168
Total Operating Expenses	2,132	115,707	280,767	398,606
Operating Income (Loss)	21,772	(210)	(34,473)	(12,911)
<u>NONOPERATING EXPENSES.</u>				
<u>SPECIAL ITEM & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(16,568)	-	(3,781)	(20,349)
Special Item (note 24)	3,088	-	-	3,088
Transfers - Internal	39,519	854	(40,373)	-
Change in Net Assets	47,811	644	(78,627)	(30,172)
Net assets at beginning of year	820,057	1,798	802,136	1,623,991
Net Assets at End of Period	867,868	2,442	723,509	1,593,819

See accompanying notes to the financial statements.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

(in thousands of dollars)

Exhibit C

	Administrative Fund	Energy Programs	Other Non-Major Funds	Total June 30, 2011
Cash flows from operating activities:				
Interest income on mortgages and loans	8,559	-	143,008	151,567
Principal payments received on mortgages and loans	26,135	-	587,239	613,374
Purchases of mortgages and loans	(415,918)	-	-	(415,918)
Receipt (payment) for loan transfers between funds	402,025	-	(402,025)	-
Payments to employees and other payroll disbursements	(22,171)	(1,114)	(12,361)	(35,646)
Payments for goods and services	(12,594)	(3,723)	(8,968)	(25,285)
Cash received for externally funded programs	-	114,677	44,310	158,987
Cash received for Federal HAP subsidies	-	-	38,944	38,944
Payments for Federal HAP subsidies	-	-	(37,940)	(37,940)
Interfund Receipts	1,006,742	115,579	793,904	1,916,225
Interfund Payments	(1,021,891)	(115,345)	(778,989)	(1,916,225)
Grant payments to other agencies	(12,128)	(109,664)	(36,509)	(158,301)
Other operating cash receipts	39,392	282	8,564	48,238
Other operating cash payments	(11,989)	-	(125)	(12,114)
Net cash provided by (used for) operating activities	(13,838)	692	339,052	325,906
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	173,711	173,711
Principal paid on bonds	-	-	(295,748)	(295,748)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,580)	-	-	(1,580)
Interest paid	(444)	-	(118,911)	(119,355)
Proceeds from issuance of short term debt	625,296	-	-	625,296
Payment of short term debt	(688,167)	-	-	(688,167)
Contributions to the State of Alaska or other State agencies	(40,795)	-	(3,781)	(44,576)
Transfers (to) from other funds	123,839	-	(123,839)	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	18,149	-	(368,568)	(350,419)
Cash flows from capital financing activities:				
Acquisition of capital assets	(2,199)	(1,083)	(13,098)	(16,380)
Proceeds from the disposal of capital assets	-	-	9	9
Proceeds from the issuance of capital notes	-	-	14,215	14,215
Principal paid on capital notes	-	-	(3,798)	(3,798)
Payment of bond issuance costs	(84)	-	-	(84)
Interest paid on capital notes	-	-	(3,020)	(3,020)
Proceeds from the direct financing lease payments	-	-	6,771	6,771
Other cash payments	(411)	-	-	(411)
Net cash provided by (used for) capital financing activities	(2,694)	(1,083)	1,079	(2,698)
Cash flows from investing activities:				
Purchase of investments	(5,325,329)	-	(1,228,983)	(6,554,312)
Proceeds from maturity of investments	5,326,435	-	1,263,346	6,589,781
Interest received from investments	552	5	5,378	5,935
Net cash provided by (used for) investing activities	1,658	5	39,741	41,404
Net Increase (decrease) in cash	3,275	(386)	11,304	14,193
Cash at the beginning of year	37,812	1,945	19,461	59,218
Cash at the end of period	41,087	1,559	30,765	73,411
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	21,772	(210)	(34,473)	(12,911)
<i>Adjustments:</i>				
Depreciation expense	436	4	6,670	7,110
Provision for loan losses	(2,128)	-	(4,545)	(6,673)
Amortization of bond issuance costs	-	-	4,534	4,534
Net change in the fair value of investments	(7,822)	-	56	(7,766)
Transfers between funds for operating activity	(43,019)	950	42,069	-
Interest received from investments	(552)	(5)	(5,378)	(5,935)
Interest paid	444	-	121,931	122,375
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	12,242	-	185,214	197,456
Net increase (decrease) in assets and liabilities	4,789	(47)	22,974	27,716
Net cash provided by (used for) operating activities	(13,838)	692	339,052	325,906
Noncash investing, capital and financing activities:				
Non cash transfer of capital asset	11,961	-	(11,961)	-
Non cash transfer of investments from non-major funds	42	-	(110)	-
non cash transfer of investments to other non-major funds	-	-	68	-
Deferred outflow of resources	-	-	26,964	-
Derivative instruments liability	-	-	(27,374)	-
Net change of hedge termination	-	-	410	-
Conversion of NIBP bonds to 2009 Series A-1	-	-	64,350	-
Conversion of NIBP bonds from 2009 Series A-1	-	-	(64,350)	-
See accompanying notes to the financial statements.				

NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

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 Corporation has the following subsidiaries. They were incorporated as subsidiaries of the Corporation under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended.

- The Northern Tobacco Securitization Corporation (NTSC) was incorporated on September 29, 2000 in the State of Alaska pursuant to House Bill No. 281 of the 2000 Alaska Legislature.
- The Alaska Housing Capital Corporation (AHCC) was incorporated on May 23, 2006 in the State of Alaska pursuant to Senate Bill 232 of the 2006 Alaska Legislature.
- The Alaska Gasline Development Corporation (AGDC) was incorporated on May 14, 2010 in the State of Alaska pursuant to House Bill 369 of the 2010 Alaska Legislature. AGDC had little activity during the fiscal year 2010. The initial stand alone financial statements of AGDC will be issued in fiscal year 2011 which will include activity from the inception of AGDC.

There is no financial accountability between NTSC, AHCC, or AGDC, and the Corporation. Neither the Corporation nor the State is liable for any debt issued by these subsidiaries. They are not component units of the Corporation and thus are not included in the Corporation's financial statements. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

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 Fund 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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS

Real Estate and Mobile Homes Owned

Real estate and mobile homes owned consist principally of properties acquired through foreclosure or repossession and are carried at the lower of cost or estimated net realizable value. 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 straight-line 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.

Derivative Instruments-Interest Rate Swaps

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 swap agreements are negotiated to achieve the financing objectives of the Corporation. The swaps are stated at fair value. The change in the fair value of the swaps is recorded as deferred inflows or deferred outflows or as investment revenue.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2011	June 30, 2010
Restricted cash	\$ 32,325	\$ 21,407
Unrestricted	41,086	37,811
Carrying amount	<u>\$ 73,411</u>	<u>\$ 59,218</u>
Bank Balance	<u>\$ 76,107</u>	<u>\$ 62,323</u>

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)				June 30, 2011	June 30, 2010
	Less Than 1	1-5	6-10	More Than 10		
Bank investment contracts	\$ -	\$ 49,002	\$ -	\$ -	\$ 49,002	\$ 101,004
U. S. Treasury securities	12,013	5,160	-	-	17,173	22,601
Securities of U. S. Government agencies and corporations	7,758	2,328	142	7	10,235	8,336
Asset-backed securities	227	-	-	-	227	313
Certificates of deposit	3,000	-	-	-	3,000	-
Negotiable certificates of deposit	3,300	-	-	-	3,300	-
Commercial paper & medium- term notes	22,052	1,599	-	1,400	25,051	42,759
Guaranteed investment contracts	-	-	-	-	-	-
Money market funds	741,566	-	-	-	741,566	759,942
Subtotal	<u>\$ 789,916</u>	<u>\$ 58,089</u>	<u>\$ 142</u>	<u>\$ 1,407</u>	<u>849,554</u>	<u>934,955</u>
GeFONSI pool					512,553	454,650
Total AHFC Portfolio					<u>\$ 1,362,107</u>	<u>\$ 1,389,605</u>

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, 2011	June 30, 2010
Restricted investments	\$ 755,984	\$ 800,987
Unrestricted	606,123	588,618
Carrying amount	<u>\$ 1,362,107</u>	<u>\$ 1,389,605</u>

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):

	June 30, 2011	June 30, 2010
Ending unrealized holding gain	\$ 12,971	\$ 5,265
Beginning unrealized holding gain	5,265	1,937
Net change in unrealized holding gain	7,706	3,328
Net realized gain (loss)	60	2,989
Net increase (decrease) in fair value	<u>\$ 7,766</u>	<u>\$ 6,317</u>

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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, 2011, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). \$17,173,000 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.

The credit quality ratings for the Corporation's investment in the GeFONSI pool are at the end of this footnote.

	Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and Corporations:			
	Aaa	AAA	\$ 6,086
Asset-backed securities:			
	Aaa	AAA	227
Negotiable certificates of deposit:			
	P-1	A-1+	-
	--	AAA	1,200
			1,200
Commercial paper, medium-term notes:			
	--	A+	1,400
	A1	AA-	264
	A1	AA+	-
	Aa1	AAA	-
	Aa1	A+	154
	Aa1	AA	-
	Aa1	AA-	-
	Aa2	AA-	106
	Aa2	AA	52
	Aa2	AA+	104
	Aa2	A+	-
	Aa3	A-	100
	Aa3	AA-	264
	Aa3	A+	158
	Aaa	AAA	1,261
	Aaa	--	253
	Aaa	A+	100
	P-1	A-1+	6,304
	P-1	A-1	13,031
			23,551
Money market funds:			
	--	AAAm	741,566
Unrated investments:			
Bank investment contracts			49,002
Certificates of deposit			3,000
Commercial paper			1,500
Negotiable certificates of deposit			2,100
U. S. government agency securities			4,149
			59,751
			\$ 832,381

NOTES TO FINANCIAL STATEMENTS

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 Issuer Limit	
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):	60%	5%
• 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		
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, 2011, 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
GeFONSI Pool	\$ 512,553	37.63 %
Fidelity Prime	316,690	23.25
Federated Investment Prime	254,648	18.70
GSE Global Escrow Agreement	129,003	9.47

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 \$76,107,000 bank balance at June 30, 2011, cash deposits in the amount of \$10,946,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$46,065,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

Of the Corporation's \$1,362,107,000 investments at June 30, 2011, investments in the amount of \$107,988,000 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.

The GeFONSI pool investment interest rate risk details are at the end of this footnote.

NOTES TO FINANCIAL STATEMENTS

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, 2011:

	Investment Fair Value	Modified Duration
Bank investment contracts	\$ 49,002	-
U. S. Treasury securities:		
Treasury coupon securities	15,802	1.485
Treasury discounts	1,371	0.212
Securities of U. S. Government agencies and corporations:		
Federal agency discounts	6,999	0.040
Federal agency coupon securities	3,087	1.615
Federal agency pass through securities	149	3.721
Asset-backed securities	227	-
Certificates of deposit	3,000	0.391
Negotiable certificates of deposit	3,300	0.073
Commercial paper & medium-term notes:		
Commercial paper discounts	20,731	0.042
Corporate bonds	104	3.547
Medium-term notes	2,616	1.125
Municipal bonds	-	-
Floating rate notes	1,600	11.028
Banker's Acceptances	-	-
Guaranteed investment contracts	-	-
Money market funds	741,566	-
	<u>\$ 849,554</u>	
Portfolio modified duration		0.039

NOTES TO FINANCIAL STATEMENTS

Investment in GeFonsi Pool

The Corporation invests in the State's internally managed General Fund and Other Non Segregated Investments Pool (GeFONSI). The GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income Pools. Actual investing is performed by investment officers in the State's Department of Revenue, Treasury Division. The complete financial activity of the funds is shown in the Comprehensive Annual Financial Report available from the Division of Finance in the Department of Administration.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

The accrual basis of accounting is used for investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature.

At June 30, 2011, the Corporation's share of pool investments was as follows (in thousands):

Investment Type	Fair Value		
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Total
Commercial Paper	\$ 21,375	\$ 795	\$ 22,170
Corporate Bonds	94,549	40,586	135,135
Mortgage-backed	4,389	8,027	12,416
Other Asset-backed	94,861	3,772	98,633
Overnight Sweep Account (LMCS)	2,550	-	2,550
U.S. Government Agency	5,275	10,595	15,870
U.S. Gov. Agency Discount Notes	7,817	-	7,817
U.S. Treasury Bills	44,689	-	44,689
U.S. Treasury Notes	-	158,507	158,507
U.S. Treasury Strip	-	145	145
Yankees:			
Corporate	1,867	6,721	8,588
Government	-	1,796	1,796
Total Invested Assets	277,372	230,944	508,316
Pool related net assets (liabilities)	235	4,002	4,237
Net Invested Assets	\$ 277,607	\$ 234,946	\$ 512,553

Interest Rate Risk – GeFonsi Pool

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2011, the expected average life of individual fixed rate securities ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

NOTES TO FINANCIAL STATEMENTS

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Intermediate-term Fixed Income Pool

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting effective duration of the Intermediate-term Fixed Income Pool to the following:

Intermediate-term Fixed Income Pool - $\pm$ 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2011, was 2.54 years.

At June 30, 2011, the effective duration by investment type was as follows:

	Intermediate-term Fixed Income Pool
Commercial Paper	0.05
Corporate Bonds	2.01
Mortgage-Backed	1.52
Other Asset-Backed	1.08
U.S. Treasury Notes	3.09
U.S. Treasury Strip	6.37
U.S. Government Agency	2.65
Yankees:	
Corporate	2.28
Government	1.92
Portfolio Effective Duration (in years)	2.53

Credit Risk – GeFonsi Pool

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2011, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

Investment Type	Rating	Short-term Fixed Income Pool	Intermediate Term Fixed Income Pool
Commercial Paper	A-1	6.95 %	- %
Commercial Paper	Not Rated	0.75	0.31
Corporate Bonds	AAA	23.65	10.25
Corporate Bonds	AA	1.45	1.07
Corporate Bonds	A	3.20	3.20
Corporate Bonds	BBB	-	1.39
Corporate Bonds	Not Rated	5.78	-
Mortgage-backed	AAA	1.58	2.79
Mortgage-backed	AA	-	0.06
Mortgage-backed	A	-	0.02
Mortgage-backed	Not Rated	-	0.28
Other Asset-backed	AAA	30.49	1.32
Other Asset-backed	A	0.07	-
Other Asset-backed	CCC	-	0.02
Other Asset-backed	Not Rated	3.62	-
U.S. Government Agency	AAA	1.90	3.47
U.S. Government Agency Discount Notes	Not Rated	2.82	0.69
U.S. Treasury Bills	AAA	16.10	-
U.S. Treasury Notes	AAA	-	62.13
U.S. Treasury Strip	AAA	-	0.06
Yankees:			
Corporate	AAA	-	0.98
Corporate	AA	0.49	1.02
Corporate	A	0.11	0.40
Corporate	BBB	-	0.23
Corporate	Not Rated	0.07	-
Government	AA	-	0.65
Government	A	-	0.01
Government	Not Rated	-	0.05
No Credit Exposure		0.97	9.60
		<u>100.00 %</u>	<u>100.00 %</u>

Concentration of Credit Risk – GeFonsi Pool

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds of any one company or affiliated group.

At June 30, 2011, the fund did not have more than five percent of their investments in any one company or affiliated group.

NOTES TO FINANCIAL STATEMENTS

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	\$ -	\$ 14,123	\$ 27,455	\$ 41,578
Energy Programs	-	-	-	-
Other Non Major Funds	49,963	-	-	49,963
Total	\$ 49,963	\$ 14,123	\$ 27,455	\$ 91,541

The balance of \$49,963,000 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.

The balance of \$14,123,000 due to the Administrative Fund from the Energy Programs resulted primarily from expenditures paid by the Administrative Fund on behalf of the Energy Programs.

Of the \$27,455,000 due from the Other Non-Major Funds to the Administrative Fund, \$2,392,000 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, 2011	June 30, 2010
Mortgage loans	\$2,535,633	\$ 2,763,089
Multifamily loans	225,662	216,672
Other notes receivable	88,361	88,448
	<u>2,849,656</u>	<u>3,068,209</u>
Less:		
Allowance for losses	(90,145)	(96,956)
Net Mortgage loans, notes and other loans	<u>\$2,759,511</u>	<u>\$ 2,971,253</u>

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):

	June 30, 2011	June 30, 2010
<u>Delinquencies and foreclosures:</u>		
Loans delinquent 30 days or more	\$ 141,825	\$ 159,120
Foreclosures during period	16,824	13,775
Loans in foreclosure process	20,925	21,291
<u>Mortgage-related commitments:</u>		
To purchase mortgage loans	73,287	150,455

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.

NOTES TO FINANCIAL STATEMENTS

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 year 2007 the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at June 30, 2011 was \$45,000,000. The garage was placed in service 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):

12 Months Ending June 30	Future Minimum Payments Due		
	Parking Garage	Building	Total
2012	\$ 3,304	\$ 3,467	\$ 6,771
2013	3,304	3,467	6,771
2014	3,304	3,467	6,771
2015	3,304	3,467	6,771
2016	3,304	3,467	6,771
Thereafter	39,640	3,467	43,107
Gross payments due	56,160	20,802	76,962
Less: Unearned revenue	(16,559)	(2,927)	(19,486)
Net investment in direct financing lease	\$ 39,601	\$ 17,875	\$ 57,476

NOTES TO FINANCIAL STATEMENTS

9 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 and a summary of balances are shown below (in thousands):

	July 1, 2010	Additions	Reductions	June 30, 2011
Non-Depreciable Capital Assets:				
Land	\$ 13,753	\$ -	\$ -	\$ 13,753
Construction in progress	2,714	4,131	(4,706)	2,139
Total Non-Depreciable	16,467	4,131	(4,706)	15,892
Depreciable Capital Assets:				
Buildings	206,786	16,700	-	223,486
Computers & Equipment	1,625	108	(90)	1,643
Leasehold Improvements	88	-	-	88
Vehicles	2,062	86	(106)	2,042
Less: Accumulated depreciation				
Buildings	(111,271)	(6,754)	-	(118,025)
Computers & Equipment	(1,150)	(250)	90	(1,310)
Leasehold Improvements	(88)	-	-	(88)
Vehicles	(1,760)	(106)	106	(1,760)
Total Depreciable, Net	96,292	9,784	-	106,076
Total Capital Assets, Net	\$ 112,759	\$ 13,915	\$ (4,706)	\$ 121,968

In March 2011, proceeds from the State Capital Project Bonds 2011 Series A were used to purchase the Corporation's headquarters building. The depreciable capital asset is shown in the Administrative Fund.

The depreciation expense charged by the Corporation was \$7,110,000 for the year ended June 30, 2011. 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 \$5,551,000 at June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

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. As of June 30, 2011, there are no draw down bonds outstanding.

In December 2009, the Corporation issued Mortgage Revenue Bonds Series 2009 A in the amount of \$193,100,000. The bonds are general obligations of the Corporation secured by program obligations and by amounts on deposit in the 2009 Series A Escrow Fund. These bonds were issued under the federal New Issue Bond Program. The proceeds of the bonds are held in an escrow account until being converted into long term fixed rate bonds with the proceeds being used to buy mortgages. As of June 30, 2011, \$64,350,000 of these bonds had been converted. The original program requirements were that if the bonds have not been converted by December 31, 2010, they were subject to mandatory redemption on February 1, 2011. On September 1, 2010 the deadline for converting the bonds was extended to December 31, 2011 and the mandatory redemption date to February 1, 2012.

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

	Original Amount	June 30, 2011	June 30, 2010
First-Time Home Buyer Program			
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>			
• 1998 Series A	\$ 70,000	\$ -	\$ 14,585
• 1999 Series A1 & A2	200,000	-	56,205
Unamortized discount		-	(53)
• 2000 Series A	58,315	-	28,920
• 2000 Series C	68,785	-	20,015
• 2001 Series A; 4.25% to 5.2%, due 2011-2031	32,740	6,040	14,665
• 2001 Series B; 5.0% to 5.23%, due 2011-2026	104,450	33,125	33,195
Unamortized premium		20	37
• 2009 Series A-1; 3.07%, due 2027-2041	64,350	64,350	-
• 2010 Series A; 0.55% to 4.0%, due 2011-2027	43,130	42,005	-
Unamortized discount		(219)	-
• 2010 Series B; 0.55% to 4.625%, due 2011-2040	35,680	35,305	-
<i>Mortgage Revenue Bonds, Taxable:</i>			
• 2009 Series A; Floating Rate*, 0.06% at June 30, 2011, due 2011	193,100	128,750	193,100
Total Mortgage Revenue Bonds	870,550	309,376	360,669
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>			
• 2002 Series A; Floating Rate*; 3.0% at June 30, 2011, due 2032, 2036	170,000	165,800	167,060
Unamortized swap termination penalty		(12,130)	(12,639)
• 2006 Series A; 3.95% to 5.0%, due 2011-2036	98,675	57,135	70,790
Unamortized premium		422	586
• 2006 Series B; 4.0% to 5.0%, due 2011-2036	75,000	39,110	50,795
Unamortized premium		287	403
• 2006 Series C; 4.4% to 5.5%, due 2011-2037	75,000	42,220	53,835
Unamortized premium		682	864
• 2007 Series A, Floating Rate*; 0.07% at June 30, 2011 due 2017-2041	75,000	75,000	75,000
Unamortized deferred debt refunding		(1,740)	(1,807)

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2011	June 30, 2010
• 2007 Series B; Floating Rate*; 0.08% at June 30, 2011, due 2017-2041	75,000	75,000	75,000
Unamortized deferred debt refunding		(1,740)	(1,807)
• 2007 Series C; 4.05% to 4.80% due 2011-2038	89,370	59,660	74,145
• 2007 Series D; Floating Rate*; 0.06% at June 30, 2011, due 2017-2041	89,370	89,370	89,370
Unamortized deferred debt refunding		(2,133)	(2,215)
• 2008 Series A; 2.9%-5.40%, due 2011-2038	80,880	48,890	64,415
• 2008 Series B; 2.95%-5.50%, due 2011-2038	80,880	60,880	73,845
Unamortized discount		(60)	(76)
• 2009 Series A; Floating Rate*; 0.05% at June 30, 2011, due 2020-2040	80,880	80,880	80,880
Unamortized deferred debt refunding		(1,346)	(1,392)
• 2009 Series B; Floating Rate*; 0.05% at June 30, 2011, due 2020-2040	80,880	80,880	80,880
Unamortized deferred debt refunding		(1,346)	(1,392)
• 2009 Series C; 1.5% to 5.35%; due 2011-2039	80,870	74,040	80,870
Unamortized discount		(37)	(42)
• 2009 Series D; Floating Rate*; 0.05% at June 30, 2011, due 2020-2040	80,870	80,870	80,870
Unamortized deferred debt refunding		(1,296)	(1,340)
Total Home Mortgage Revenue Bonds	1,232,675	1,009,298	1,096,898
Veterans Mortgage Program Bonds and Notes:			
<i>Collateralized State Guaranteed Bonds and Notes, Tax-Exempt:</i>			
• 1999 First Series	110,000	-	28,255
• 2000 First Series	70,000	-	14,545
• 2002 First Series; 4.95% to 5.55%, due 2011-2023	50,000	8,490	12,510
• 2005 First Series; 4.8% due 2011-2035	15,000	6,290	9,340
• 2006 First Series; 4.0% to 4.9%, due 2011-2037	190,000	176,760	181,005
• 2007 & 2008 First Series, 3.45% to 5.25%, due 2012-2038	57,885	53,290	54,680
Total Veterans Mortgage Program Bonds	492,885	244,830	300,335
Other Housing Bonds:			
<i>Housing Development Bonds, Tax-Exempt:</i>			
• 2002 Series A; 4.15% to 5.2%, due 2011-2022	8,440	2,510	2,675
• 2002 Series B; 4.05% to 5.15%, due 2011-2022	8,690	5,880	6,255
• 2002 Series C; 4.05% to 5.25%, due 2011-2032	70,000	58,815	60,310
• 2004 Series A; 3.55% to 4.85%, due 2011-2030	33,060	27,795	28,650
• 2004 Series B; 3.3% to 4.75%, due 2011-2032	52,025	41,045	42,565
<i>Housing Development Bonds, Taxable:</i>			
• 2004 Series D; 4.35% to 5.6%, due 2011-2043	105,000	102,080	103,040
Sub-Total Housing Development Bonds	277,215	238,125	243,495

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2011	June 30, 2010
General Mortgage Revenue Bonds, Tax-Exempt:			
• 2002 Series A; 3.7% to 5.0%, due 2011-2040	150,000	146,415	148,825
Unamortized deferred debt refunding expense		(1,021)	(1,065)
Unamortized premium		462	496
Government Purpose Bonds, Tax-Exempt:			
• 1997 Series A, Floating Rate*, monthly payments, 0.03% at June 30, 2011, due 2027	33,000	14,600	14,600
• 2001 Series A, Floating Rate*, 0.02% at June 30, 2011, due 2011-2030	76,580	59,945	61,950
Unamortized swap termination penalty		(7,711)	(8,108)
• 2001 Series B, Floating Rate*, 0.02% at June 30, 2011, due 2011-2030	93,590	73,255	75,700
Total Other Housing Bonds	630,385	524,070	535,893
Non-Housing Bonds:			
State Capital Project Bonds, Tax-Exempt:			
• 2002 Series A; 3.5% to 5.0%, due 2011	32,905	4,380	8,525
Unamortized premium		-	95
• 2002 Series C; Floating Rate*, 0.05% at June 30, 2011, due 2012-2022	60,250	60,250	60,250
• 2006 Series A; 3.5% to 5.0%, due 2012-2040	100,890	93,880	95,510
Unamortized discount		(1,334)	(1,410)
Unamortized premium		1,275	1,424
• 2007 Series A & B; 4.0% to 5.25%, due 2011-2029	95,525	88,210	91,355
Unamortized discount		(60)	(65)
Unamortized premium		2,405	2,795
Unamortized deferred debt refunding expense		(2,628)	(2,770)
• 2011 Series A; 2.0% to 5.0%, due 2011-2027	105,185	105,185	-
Unamortized discount		(119)	-
Unamortized premium		3,871	-
General Housing Purpose Bonds, Tax-Exempt:			
• 2005 Series A; 3.25% to 5.25%, due 2011-2041	143,235	137,450	138,570
Unamortized premium		3,142	3,296
• 2005 Series B; 3.55% to 5.25%, due 2011-2030	147,610	126,830	130,610
Unamortized deferred debt refunding expense		(9,340)	(10,023)
Unamortized premium		3,532	4,030
• 2005 Series C; 4.0% to 5.0%, due 2012-2017	16,885	16,610	16,660
Total Non-Housing Bonds	702,485	633,539	538,852
Total Bonds and Notes Payable	\$ 3,928,980	\$ 2,721,113	\$ 2,832,647

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.

NOTES TO FINANCIAL STATEMENTS

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, 2011, the Corporation made \$253,120,000 special revenue redemptions and no current refundings. The Corporation made \$207,035,000 special revenue redemptions and \$80,870,000 current refundings during fiscal year 2010.

During the year ended June 30, 2011, the Corporation converted \$64,350,000 under the federal New Issue Bond Program, (NIBP). There were no conversions under this program during fiscal year 2010.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2016 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ending June 30	Total Debt Service		
	Principal	Interest*	Total
2012	\$ 183,095	\$ 114,554	\$ 297,649
2013	63,380	112,133	175,513
2014	61,220	109,675	170,895
2015	56,240	107,291	163,531
2016	58,315	104,943	163,258
2017-2021	372,925	482,902	855,827
2022-2026	432,545	390,701	823,246
2027-2031	550,120	276,530	826,650
2032-2036	488,810	156,997	645,807
2037-2041	459,195	42,362	501,557
2042-2043	23,430	1,005	24,435
	<u>\$2,749,275</u>	<u>\$ 1,899,093</u>	<u>\$ 4,648,368</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2011

** Also see Note 11 – Derivatives.

Conduit Debt

From time to time, the Corporation has issued debt to assist private-sector entities in the acquisition or construction of facilities that help the Corporation fulfill its mission of making housing affordable for all Alaskans. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. A summary of the conduit bonds outstanding is shown below (in thousands):

	June 30, 2011	June 30, 2010
Revenue Bonds, 2010		
Birchwood Apartments Project	\$ 1,009	\$ -

NOTES TO FINANCIAL STATEMENTS

11 DERIVATIVES

The Corporation entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The Corporation's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable rate bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Assets, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

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 asset or liabilities in the marketplace if a swap were to be terminated.

The Corporation's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, the Corporation would have to post collateral of up to 100 percent of the swap's fair value. As of June 30, 2011, the Corporation has not posted any collateral and is not required to post any collateral.

Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of June 30, 2011, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/01/08	2.4530	67% of 1M LIBOR ⁴	12/01/30	A+/Aa3
GP01B	08/02/01	4.1427	67% of 1M LIBOR	12/01/30	A/A2
E021A1 ²	10/09/08	2.9800	70% of 3M LIBOR ⁵	06/01/32	AAA/Aa1
E021A2	10/09/08	3.4480	70% of 1M LIBOR	12/01/36	A/A2
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +0.115%	07/01/22	AA-/Aa1
E071AB	05/31/07	3.7345	70% of 3M LIBOR	12/01/41	AAA/Aa1
E071BD	05/31/07	3.7200	70% of 3M LIBOR	12/01/41	AA-/Aa1
E091A	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	A+/A1
E091B	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	AAA/Aa1
E091ABD	05/28/09	3.7400	70% of 3M LIBOR	12/01/40	AA-/Aa1

1. Governmental Purpose Bonds

2. Home Mortgage Revenue Bonds

3. State Capital Project Bonds

4. London Interbank Offered Rate 1 month

5. London Interbank Offered Rate 3 month

6. Securities Industry and Financial Markets Municipal Swap Index

7. Standard & Poor's/Moody's

NOTES TO FINANCIAL STATEMENTS

The change in fair value and ending balance of the hedging derivatives as of June 30, 2011, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2011	Fair Values June 30, 2010	Change in Fair Value
GP01A	\$ 59,945	\$ 60,970	\$ (1,025)	\$ (2,008)	\$ 983
GP01B	73,255	85,883	(12,628)	(14,848)	2,220
E021A1	45,800	48,269	(2,469)	(3,493)	1,024
E021A2	120,000	124,797	(4,797)	(6,965)	2,168
SC02C	60,250	67,421	(7,171)	(7,669)	498
E071AB	143,622	165,440	(21,818)	(27,723)	5,905
E071BD	95,748	109,703	(13,955)	(17,879)	3,924
E091A	72,789	84,027	(11,238)	(14,293)	3,055
E091B	72,789	84,164	(11,375)	(14,462)	3,087
E091ABD	97,052	111,512	(14,460)	(18,559)	4,099
Total	<u>\$841,250</u>	<u>\$ 942,186</u>	<u>\$ (100,936)</u>	<u>\$ (127,899)</u>	<u>\$ 26,963</u>

As of June 30, 2011, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). 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
2012	\$ 6,895	\$ 5,308	\$ 29,230	\$ 41,433
2013	12,825	5,223	28,945	46,993
2014	13,390	5,117	28,488	46,995
2015	13,955	5,006	28,010	46,971
2016	14,565	4,891	27,513	46,969
2017-2021	117,385	22,490	127,462	267,337
2022-2026	154,055	18,296	102,685	275,036
2027-2031	175,865	12,656	75,151	263,672
2032-2036	171,565	5,708	45,682	222,955
2037-2041	152,510	351	15,803	168,664
2042	8,240	3	147	8,390
	<u>\$ 841,250</u>	<u>\$ 85,049</u>	<u>\$ 509,116</u>	<u>\$ 1,435,415</u>

Risks

a. Credit Risk

As of June 30, 2011, the Corporation is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes 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 to BBB+/Baa1. The Corporation currently has swap agreements with five separate counterparties. Approximately 31% of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 30% of the total notional amount of the swaps is held with one counterparty rated AA-/Aa1. Of the remaining swaps, one counterparty is rated A/A2, another counterparty is rated A+/A1, and the remaining counterparty is rated A+/Aa3, approximating 23%, 9%, and 7% respectively, of the total notional amount of the swaps.

b. Interest Rate Risk

The Corporation is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, the Corporation's net payment on the swaps increases.

NOTES TO FINANCIAL STATEMENTS

c. Basis Risk

All of the Corporation's variable-rate bond interest 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 fully 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, 2011, SIFMA was 0.09% and 1-month LIBOR was 0.1856%, resulting in a SIFMA/LIBOR ratio of 48.5%. The 3-month LIBOR was 0.2458%, resulting in a SIFMA/LIBOR ratio of 36.6%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

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 the Corporation would be exposed to interest rate risk on the bond. 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.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in the Corporation making termination payments totaling \$22,181,000 to the counterparties. The Corporation replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps.

e. 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. 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 to the unswapped portion of the debt.

Investment Derivatives

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of the Corporation's investment derivatives as of June 30, 2011, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating
SC02B	12/05/02	3.77%	70% of 1M LIBOR	07/01/24	AA-/Aa1

The change in fair value of the investment derivatives as of June 30, 2011, is shown below (in thousands) and is presented as a net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2011	Fair Values June 30, 2010	Change in Fair Value
SC02B	\$ 14,555	\$ 16,513	\$ (1,958)	\$ (2,368)	\$ 410

Credit Risk

As of June 30, 2011, the Corporation was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated AA-/Aa1.

NOTES TO FINANCIAL STATEMENTS

12 LONG TERM LIABILITIES

The activity for the year ended June 30, 2011 is summarized in the following schedule (in thousands):

	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Total bonds and notes payable	\$ 2,832,647	\$ 252,276	\$ (363,810)	\$ 2,721,113	\$ 183,095
Compensated absences	4,641	2,840	(2,668)	4,813	2,011
Other liabilities	652	800	(313)	1,139	793
Total long-term liabilities	<u>\$ 2,837,940</u>	<u>\$ 255,916</u>	<u>\$ (366,791)</u>	<u>\$ 2,727,065</u>	<u>\$ 185,899</u>

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, 2011	June 30, 2010
Lowest	0.21%	0.25%
Highest	0.59%	1.25%

Short term debt activity for the year ended June 30, 2011 is summarized in the following schedule (in thousands):

	July 1, 2010	Additions	Reductions	June 30, 2011
Commercial paper	\$ 150,000	\$ 625,639	\$ (688,639)	\$ 87,000
Unamortized discount	(110)	(385)	471	(24)
Commercial paper, net	<u>\$ 149,890</u>	<u>\$ 625,254</u>	<u>\$ (688,168)</u>	<u>\$ 86,976</u>

14 TRANSFERS

Transfers for the year ended June 30, 2011 are summarized in the following schedule (in thousands):

		From			
		Administrative Fund	Energy Programs	Other Non- Major Funds	Total
T o	Administrative Fund	\$ -	\$ -	\$ 290,682	\$ 290,682
	Energy Programs	950	-	-	950
	Other Non-Major Funds	250,213	96	216,094	466,403
	Total	<u>\$ 251,163</u>	<u>\$ 96</u>	<u>\$ 506,776</u>	<u>\$ 758,035</u>

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 the Energy Programs and Bond Funds, and (4) to record expenditures paid on behalf of the Energy Programs and the Bond Funds by the Administrative Fund.

NOTES TO FINANCIAL STATEMENTS

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 $\frac{1}{4}$ to $\frac{1}{2}$ of 1% per annum of the aggregate liability or commitment amount.

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

	June 30, 2011	June 30, 2010
Bond related liquidity facilities	\$ 486,040	\$ 487,300
Bond insurance	1,009,750	1,067,205
	<u>\$ 1,495,790</u>	<u>\$ 1,554,505</u>

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, 2011	June 30, 2010
Arbitrage expense	\$ 542	\$ (572)
Arbitrage paid	85	1,061
Arbitrage rebate reimbursement	31	-

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–FY2011 were \$1,548,383,000; payments up thru June 30, 2011 were \$1,423,006,000, resulting in total remaining commitments of \$125,377,000 as of June 30, 2011.

Transfer Plan with the State

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to \$224,000,000 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 \$103,000,000 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 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 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.

NOTES TO FINANCIAL STATEMENTS

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. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Twenty-Third Legislature in 2003 enacted SCS HB 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 and modified by the Twenty-Fourth Legislature in 2006 with SB 236, the 2003 Transfer Plan calls for annual transfers that will not exceed the lesser of 75% of adjusted change in net assets for the fiscal year two years prior to the current fiscal year or \$103,000,000 less debt service on certain State Capital Project Bonds, less any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations of the Corporation's operating budget.

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, 2011	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	-	631,653	631,653
Other State appropriations	-	302,654	302,654
Non-Housing capital projects	16,568	302,325	318,893
Various bond proceeds disbursed	3,781	308,634	312,415
Total	<u>\$ 20,349</u>	<u>\$ 1,941,666</u>	<u>\$ 1,962,015</u>

NOTES TO FINANCIAL STATEMENTS

18 GRANTS

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

Program	June 30, 2011
<i>Energy Programs:</i>	
▪ ARRA State Energy Program	\$ 1,695
▪ ARRA Weatherization Assistance Program	2,025
▪ Energy Efficient Appliance Rebate	235
▪ Energy Efficiency Monitoring Research	1,188
▪ Energy Efficiency Conservation Block Grant	1,542
▪ Energy Efficient Home Program	55,000
▪ Low-Income Home Energy Assistance	700
▪ Low Income Weatherization Assistance	48,259
Total Energy Programs	110,644
<i>Section 8 Vouchers Program</i>	30,536
<i>Other Housing Assistance Programs:</i>	
▪ AMHTA Short Term Housing Assistance	-
▪ ARRA Low Income Tax Credit	2,604
▪ ARRA TCAP Home	2,789
▪ Beneficiaries and Special Needs Housing	2,781
▪ Denali Commission	3,279
▪ Drug Elimination	84
▪ Emergency Shelter Grant	213
▪ Homeless Prevention and Rapid Re-Housing	351
▪ HOME Investment Partnership	3,516
▪ Homeless Assistance Program	5,026
▪ Homeless Information Management System	19
▪ Housing Loan Program	5,845
▪ Housing Opportunities for Persons with AIDS	630
▪ Low Income Tax Credit	-
▪ Neighborhood Stabilization	4,753
▪ Resident Opportunity and Support Service	89
▪ ROSS Neighborhood Network	39
▪ Section 8 Contract Administration	6,377
▪ Senior Citizen Housing Development Grant	5,237
▪ Shelter Plus Care	689
▪ Special Needs Housing	2,123
▪ Supplemental Housing Grant	7,396
▪ Supportive Housing Grant Match	1,062
▪ Technical Assistance Grant	86
Total Other Housing Assistance Programs	54,988
Total Housing Grant Expenses	196,168
▪ Legislative Appropriations	16,568
Total Non-Housing Capital Project Grants	16,568
Total Grants	\$ 212,736

In addition to grant payments made, the Corporation has advanced grant funds of \$7,316,000 and committed to third parties a sum of \$177,484,000 in grant awards at June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

19 OTHER PROGRAMS

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

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

Affordable Housing Programs consist of Corporate owned low-income housing facilities at various locations and contract administration of HUD contracts directly with landlords:

- Project Based Section 8
- Section 8 Contract Administration

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

- Beneficiaries & Special Needs Housing
- Denali Commission Housing Programs
- Drug Elimination Program
- Family Investment Center Grant
- Family Self Sufficiency Program (FSS)
- HOME Investment Partnerships Program (HOME)
- Homeless Assistance Program Grants
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Low Income Tax Credit Program
- Neighborhood Stabilization Program
- Resident Opportunity and Supportive Services
- ROSS Neighborhood Networks
- Senior Citizen Housing Development Grant Program
- Shelter Plus Care Program
- Supplemental Housing Grant Program
- Supportive Housing Grant Match
- Teacher Health Professional and Public Safety Housing Programs
- Technical Assistance Grants

Energy Conservation Programs

- Energy Efficiency Monitoring Research
- Energy Efficient Home Program (Rebates)
- Low-Income Home Energy Assistance Program (LIHEAP)
- Low-Income Weatherization Program
- Research Information Center
- Residential Energy Rehab Program (Enhanced Weatherization)
- State Energy Program Special Projects
- State Energy Program

NOTES TO FINANCIAL STATEMENTS

AHFC's ARRA (American Recovery & Reinvestment Act of 2009) Capital Projects

Energy programs:

- Energy Efficiency and Conservation Block Grants
- Energy Efficient Appliance Rebate
- Energy Assurance / Smart Grid Resiliency (EA/SGR) (vetoed)
- State Energy Program
- Weatherization Program

Low rent programs:

- Capital Fund Program (CFP) - Competitive (not awarded)
- Capital Fund Program (CFP) - Formula

Other programs:

- Emergency Shelter Grants (ESG) – Homeless Prevention and Rapid Re-Housing Program
- HOME Investment Partnerships – Tax Credit Assistance Program (TCAP)
- Low-Income Housing Grants in Lieu of Tax Credits
- Project Based Rental Assistance (AHFC is not considered the Prime Recipient for this program; HUD is responsible for the Federal Report Requirements of the program.)

Housing Units Owned, Managed or Administered

As of June 30, 2011, the Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	986
Low Rent Conventional Housing – Senior Units	343
Affordable Housing	65
Affordable Housing – Senior Units	268
Other Housing Units	33
Section 8 Vouchers – Housing Assistance:	
Housing Choice Vouchers	4,415
Single Room Occupancy	70
	<u>6,180</u>

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 June 30, 2011 the Corporation had outstanding commitments of \$38,708,000 and had paid out \$112,706,000 in the rebate program to homeowners since the inception of the program. This commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

21 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Plan Description

As of June 30, 2011, 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.

NOTES TO FINANCIAL STATEMENTS

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 and for all service prior to July 1, 1986, 2¼% for the second ten years of service and 2½% for all remaining years of service. 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.

Employees hired after June 30, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. 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. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. Also the plan does not pay the retiree medical plan premium for retirees under the age of 60 unless the retiree has 30 years of credited service. The employee may elect to pay the full premium cost for medical coverage.

Employees hired after June 30, 1996 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's five-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. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. 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 on or after July 1, 2006):

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59½. 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 employee's 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. For the fiscal year 2011, 7.64% of covered salary is for the pension plan and 14.36% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 27.96% for the fiscal year 2011 and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the year ended June 30, 2011 was \$654,000.

The Corporation's contributions to the pension plan for the year ended June 30, 2011 was \$1,403,000 and for the years ended June 30, 2010 and June 30, 2009 was \$1,452,000 and \$1,180,000 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the year ended June 30, 2011 was \$1,006,000.

The Corporation's contributions to the post employment healthcare plan for the year ended June 30, 2011 was \$2,636,000 and for the years ended June 30, 2010 and June 30, 2009 was \$2,559,000 and \$2,740,000 respectively.

NOTES TO FINANCIAL STATEMENTS

Defined Contribution Plans

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2011, the Corporation is required to contribute 5.31% 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. For the fiscal year 2011, the Corporation is required to contribute 0.55% of the annual covered salary plus an annual flat dollar amount of \$1,720.70 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 than 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 year ended June 30, 2011, the Corporation paid additional contributions of \$321,000.

The contributions to the pension plan for the year ended June 30, 2011 by the employees was \$202,000 and by the Corporation was \$134,000.

The Corporation contributed \$100,000 to a health reimbursement arrangement for the year ended June 30, 2011.

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 \$1,746,000 and \$1,235,000 as of June 30, 2011 and June 30, 2010, 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.

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 SPECIAL ITEM

On June 17, 2011 the Corporation sold its land on 34th Avenue, with a cost of \$1,459,000, for \$4,547,000 resulting in a special item gain of \$3,088,000.

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NOTES TO FINANCIAL STATEMENTS

25 FIVE YEAR FINANCIAL INFORMATION

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

	June 30,				
	2011	2010	2009	2008	2007
<u>Assets and Deferred Outflows</u>					
Cash	\$ 73,411	\$ 59,218	\$ 24,720	\$ 19,034	\$ 45,964
Investments	1,362,107	1,389,605	1,247,669	1,231,404	1,274,544
Accrued interest receivable	13,305	14,647	15,854	16,734	19,340
Mortgage loans, notes and other loans	2,759,511	2,971,253	3,195,444	3,450,063	3,357,754
Net investment in direct financing lease	57,476	61,222	64,802	65,203	27,085
Unamortized bond issuance costs	16,880	19,751	23,252	25,142	24,616
Capital assets, net	121,968	112,759	113,004	116,535	118,743
Other assets	36,446	40,463	46,680	22,004	28,854
Derivative instrument - interest rate swaps	-	-	-	-	-
Deferred outflow of resources	100,936	127,899	-	-	-
Total Assets and Deferred Outflows	4,542,040	4,796,817	4,731,425	4,946,119	4,896,900
<u>Liabilities and Deferred Inflows</u>					
Bonds and notes payable	2,721,113	2,832,647	2,869,153	3,136,866	3,060,887
Short term debt	86,976	149,890	149,724	112,159	119,726
Accrued interest payable	12,688	12,770	13,715	15,303	14,847
Other liabilities	24,549	47,252	26,722	15,620	16,968
Derivative instrument - interest rate swaps	102,895	130,267	-	-	-
Deferred inflow of resources	-	-	-	-	-
Total Liabilities and Deferred Inflows	2,948,221	3,172,826	3,059,314	3,279,948	3,212,428
Total Fund Equity	\$1,593,819	\$1,623,991	\$1,672,111 *	\$1,666,171	\$1,684,472
	June 30,				
	2011	2010	2009	2008	2007
<u>Operating Revenues</u>					
Mortgage and loans revenue	\$ 164,242	\$ 177,855	\$ 205,138	\$ 202,851	\$ 195,028
Investment interest	8,454	11,605	25,148	56,667	76,631
Net change in fair value of investments	7,766	6,317	570	255	2,214
Net change of hedge termination	410	(794)	-	-	-
Total Investment Revenue	16,630	17,128	25,718	56,922	78,845
Externally funded programs	194,411	191,968	112,587	73,603	63,043
Rental	7,996	8,697	8,577	7,695	6,988
Other	2,416	1,610	3,337	776	1,085
Total Operating Revenues	385,695	397,258	355,357	341,847	344,989
<u>Operating Expenses</u>					
Interest	122,138	130,789	149,021	147,336	158,145
Mortgage and loan costs	11,587	12,709	14,139	14,155	14,034
Operations and administration	54,100	49,678	51,421	42,812	41,410
Financing expenses	8,692	7,456	9,159	6,415	8,945
Provision for loan loss	(6,673)	515	(7,703)	7,098	5,490
Housing grants and subsidies	196,168	194,883	106,480	78,290	65,689
Rental housing operating expenses	12,594	11,002	11,480	10,428	10,799
Total Operating Expenses	398,606	407,032	333,997	306,534	304,512
Operating Income (Loss)	(12,911)	(9,774)	21,360	35,313	40,477
<u>Non-Operating & Special Item</u>					
Contribution to State or State agency	(20,349)	(36,772)	(15,420)	(53,614)	(346,037)
Special item	3,088	-	-	-	-
Change in Net Assets	\$ (30,172)	\$ (46,546)	\$ 5,940	\$ (18,301)	\$ (305,560)

*Does not reflect the FY10 cumulative effect of accounting change.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

COMBINED - ALL FUNDS

As of June 30, 2011

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	41,452	8,070	-	-
Investments	742,596	156,064	176,108	17,233
Accrued interest receivable	1,441	610	4,356	1,394
Inter-fund due to/from	(8,385)	2,129	18,216	5,078
Mortgage loans, notes and other loans	178,172	168,172	1,028,071	318,555
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	1,383	5,000	1,294
Capital assets, non-depreciable	139	-	-	-
Capital assets - depreciable, net	12,160	-	-	-
Other assets	8,668	-	32	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	1,267	-	-	-
Deferred outflow of resources	-	-	80,112	-
Total Assets and Deferred Outflows	977,510	336,428	1,311,895	343,554
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	309,376	1,009,298	244,830
Short term debt	86,976	-	-	-
Accrued interest payable	1,300	802	3,743	970
Other liabilities	8,875	49	308	101
Derivative instrument - interest rate swaps	-	-	80,112	-
Intergovernmental payable	1,029	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	98,180	310,227	1,093,461	245,901
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	12,299	-	-	-
Restricted by bond resolutions	-	26,201	218,434	97,653
Restricted by contractual or statutory agreements	136,839	-	-	-
Unrestricted net assets, (deficit)	730,192	-	-	-
Total Net Assets (deficit)	879,330	26,201	218,434	97,653

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
-	3,126	20,763	73,411
172,453	97,653	-	1,362,107
2,989	2,515	-	13,305
14,431	10,108	(41,577)	-
578,708	487,833	-	2,759,511
-	57,476	-	57,476
4,791	4,412	-	16,880
-	-	15,753	15,892
-	-	93,916	106,076
-	29	14,702	23,431
-	-	-	-
-	-	11,748	13,015
13,653	7,171	-	100,936
787,025	670,323	115,305	4,542,040
524,070	633,539	-	2,721,113
-	-	-	86,976
1,966	3,907	-	12,688
950	521	9,352	20,156
13,653	9,130	-	102,895
-	3,126	238	4,393
-	-	-	-
540,639	650,223	9,590	2,948,221
-	-	109,669	121,968
219,869	-	-	562,157
26,517	-	22,720	186,076
-	20,100	(26,674)	723,618
246,386	20,100	105,715	1,593,819

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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, 2011

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	41,087	365	41,452
Investments	731,500	11,096	742,596
Accrued interest receivable	1,440	1	1,441
Inter-fund due to/from	(8,385)	-	(8,385)
Mortgage loans, notes and other loans	178,172	-	178,172
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets - non-depreciable	139	-	139
Capital assets - depreciable, net	12,160	-	12,160
Other assets	8,668	-	8,668
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	1,267	-	1,267
Deferred outflow of resources	-	-	-
Total Assets and Deferred Outflows	966,048	11,462	977,510
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	-	-	-
Short term debt	86,976	-	86,976
Accrued interest payable	1,300	-	1,300
Other liabilities	8,875	-	8,875
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	1,029	-	1,029
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	98,180	-	98,180
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	12,299	-	12,299
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	125,377	11,462	136,839
Unrestricted net assets, (deficit)	730,192	-	730,192
Total Net Assets (deficit)	867,868	11,462	879,330

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of June 30, 2011

(in thousands of dollars)

	Bonds 1998 A	Bonds 1999 A	Bonds 2000 A-D	Bonds 2001 A,B
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	8,070
Investments	-	-	-	945
Accrued interest receivable	-	-	-	233
Inter-fund due to/from	-	-	-	717
Mortgage loans, notes and other loans	-	-	-	43,558
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	512
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	-	-	-	54,035
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	-	39,185
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	168
Other liabilities	-	-	-	17
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	-	-	39,370
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	-	14,665
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	-	-	14,665

Schedule 3

Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Mortgage Revenue Bonds Combined Total
-	-	8,070
131,586	23,533	156,064
-	377	610
1	1,411	2,129
-	124,614	168,172
-	-	-
12	859	1,383
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
131,599	150,794	336,428
128,750	141,441	309,376
-	-	-
253	381	802
-	32	49
-	-	-
-	-	-
-	-	-
129,003	141,854	310,227
-	-	-
2,596	8,940	26,201
-	-	-
-	-	-
2,596	8,940	26,201

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of June 30, 2011

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	39,317	3,782	2,228	2,211
Accrued interest receivable	763	255	162	204
Inter-fund due to/from	2,010	1,088	767	1,139
Mortgage loans, notes and other loans	155,755	56,898	39,023	41,237
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	775	466	326	342
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	32	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	7,266	-	-	-
Total Assets and Deferred Outflows	205,918	62,489	42,506	45,133
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	153,670	57,557	39,397	42,902
Short term debt	-	-	-	-
Accrued interest payable	731	227	152	187
Other liabilities	55	17	10	12
Derivative instrument - interest rate swaps	7,266	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	161,722	57,801	39,559	43,101
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	44,196	4,688	2,947	2,032
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	44,196	4,688	2,947	2,032

Schedule 4
continued on next page

Bonds 2007 A	Bonds 2007 B	Bonds 2007 C	Bonds 2007 D	Bonds 2008 A	Bonds 2008 B	Bonds 2009 A
-	-	-	-	-	-	-
19,235	18,028	2,195	20,252	2,294	2,777	19,222
271	274	259	313	234	271	344
1,151	1,069	714	1,594	1,228	698	2,345
62,103	64,465	59,225	75,636	47,515	60,035	98,632
-	-	-	-	-	-	-
197	123	474	168	331	502	227
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,394	11,354	-	13,025	-	-	12,443
94,351	95,313	62,867	110,988	51,602	64,283	133,213
73,260	73,260	59,660	87,237	48,890	60,820	79,534
-	-	-	-	-	-	-
227	229	233	273	206	257	223
22	21	18	24	15	18	25
11,394	11,354	-	13,025	-	-	12,443
-	-	-	-	-	-	-
-	-	-	-	-	-	-
84,903	84,864	59,911	100,559	49,111	61,095	92,225
-	-	-	-	-	-	-
9,448	10,449	2,956	10,429	2,491	3,188	40,988
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,448	10,449	2,956	10,429	2,491	3,188	40,988

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ALASKA HOUSING FINANCE CORPORATION

Schedule 4

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of June 30, 2011

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	19,937	2,620	22,010	176,108
Accrued interest receivable	325	304	377	4,356
Inter-fund due to/from	1,290	875	2,248	18,216
Mortgage loans, notes and other loans	99,047	73,808	94,692	1,028,071
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	212	617	240	5,000
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	32
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	12,581	-	12,049	80,112
Total Assets and Deferred Outflows	133,392	78,224	131,616	1,311,895
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	79,534	74,003	79,574	1,009,298
Short term debt	-	-	-	-
Accrued interest payable	223	281	294	3,743
Other liabilities	23	23	25	308
Derivative instrument - interest rate swaps	12,581	-	12,049	80,112
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	92,361	74,307	91,942	1,093,461
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	41,031	3,917	39,674	218,434
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	41,031	3,917	39,674	218,434

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, 2011

(in thousands of dollars)

	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	-	-	301	623
Accrued interest receivable	-	-	58	37
Inter-fund due to/from	-	-	243	63
Mortgage loans, notes and other loans	-	-	13,645	10,601
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	83	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	-	-	14,330	11,324
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	8,490	6,290
Short term debt	-	-	-	-
Accrued interest payable	-	-	38	25
Other liabilities	-	-	4	3
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	-	8,532	6,318
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	5,798	5,006
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	-	5,798	5,006

Schedule 5

Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
-	-	-
12,186	4,123	17,233
1,000	299	1,394
4,000	772	5,078
228,450	65,859	318,555
-	-	-
719	492	1,294
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
246,355	71,545	343,554
176,760	53,290	244,830
-	-	-
689	218	970
73	21	101
-	-	-
-	-	-
-	-	-
177,522	53,529	245,901
68,833	18,016	97,653
-	-	-
-	-	-
68,833	18,016	97,653

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of June 30, 2011

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	7,008	41,191	51,696	3,763
Accrued interest receivable	94	1,257	461	132
Inter-fund due to/from	135	9,442	1,667	-
Mortgage loans, notes and other loans	19,287	218,088	160,123	17,290
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	2,526	1,002	123
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	26,524	272,504	214,949	21,308
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	238,125	145,856	14,600
Short term debt	-	-	-	-
Accrued interest payable	-	1,013	585	1
Other liabilities	7	50	35	8
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	7	239,188	146,476	14,609
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	33,316	68,473	6,699
Restricted by contractual or statutory agreements	26,517	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	26,517	33,316	68,473	6,699

Schedule 6

Governmental Purpose Bonds 2001 A-D	Combined Total
-	-
68,795	172,453
1,045	2,989
3,187	14,431
163,920	578,708
-	-
1,140	4,791
-	-
-	-
-	-
-	-
-	-
13,653	13,653
<u>251,740</u>	<u>787,025</u>
125,489	524,070
-	-
367	1,966
850	950
13,653	13,653
-	-
-	-
<u>140,359</u>	<u>540,639</u>
-	-
111,381	219,869
-	26,517
-	-
<u>111,381</u>	<u>246,386</u>

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON-HOUSING BONDS

As of June 30, 2011

(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 Capital Project Bonds 2011 A
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	394	-
Investments	12,655	5,858	11,549	5,104
Accrued interest receivable	301	443	174	556
Inter-fund due to/from	1,950	1,939	629	1,675
Mortgage loans, notes and other loans	56,234	90,678	40,369	102,535
Net investment in direct financing lease	-	-	39,601	-
Unamortized bond issuance costs	475	573	577	760
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	29	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	7,171	-	-	-
Total Assets and Deferred Outflows	78,786	99,520	93,293	110,630
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	64,630	93,821	87,927	108,937
Short term debt	-	-	-	-
Accrued interest payable	1,611	351	347	411
Other liabilities	33	34	15	39
Derivative instrument - interest rate swaps	9,130	-	-	-
Intergovernmental payable	-	-	394	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	75,404	94,206	88,683	109,387
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	3,382	5,314	4,610	1,243
Total Net Assets (deficit)	3,382	5,314	4,610	1,243

Schedule 7

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	2,732	3,126
33,609	28,878	97,653
743	298	2,515
1,956	1,959	10,108
115,848	82,169	487,833
-	17,875	57,476
996	1,031	4,412
-	-	-
-	-	-
-	-	29
-	-	-
-	-	-
-	-	7,171
153,152	134,942	670,323
140,592	137,632	633,539
-	-	-
581	606	3,907
39	361	521
-	-	9,130
-	2,732	3,126
-	-	-
141,212	141,331	650,223
-	-	-
-	-	-
-	-	-
11,940	(6,389)	20,100
11,940	(6,389)	20,100

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER PROGRAM FUNDS

As of June 30, 2011

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Program
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	1,559	10,024	6,433	2,744
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(14,123)	(766)	(680)	(478)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets - non-depreciable	1,076	13,547	1,130	-
Capital assets - depreciable, net	8	71,939	21,934	35
Other assets	10,006	863	45	61
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	10,186	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	8,712	95,607	28,862	2,362
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	6,270	1,172	268	241
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	238	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	6,270	1,410	268	241
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,084	85,486	23,064	35
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	1,732	9,527	6,107	4,117
Unrestricted net assets, (deficit)	(374)	(816)	(577)	(2,031)
Total Net Assets (deficit)	2,442	94,197	28,594	2,121

Schedule 8

Other Programs	Combined Total
3	20,763
-	-
-	-
(25,530)	(41,577)
-	-
-	-
-	-
-	15,753
-	93,916
3,727	14,702
-	-
1,562	11,748
-	-
(20,238)	115,305
-	-
-	-
-	-
1,401	9,352
-	-
-	238
-	-
1,401	9,590
-	109,669
-	-
1,237	22,720
(22,876)	(26,674)
(21,639)	105,715

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, 2011

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	13,668	12,967	58,294	19,655
Investment interest	556	887	350	749
Net change in the fair value of investments	7,822	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	8,378	887	350	749
Externally funded program	-	-	-	-
Rental	28	-	-	-
Other	1,851	-	-	-
Total Operating Revenues	23,925	13,854	58,644	20,404
<u>OPERATING EXPENSES</u>				
Interest	429	11,179	45,386	13,570
Mortgage and loan costs	1,394	937	4,103	1,371
Financing expenses	497	2,234	3,192	737
Provision for loan loss	(2,128)	730	(6,058)	(1,424)
Operations and administration	1,779	3,425	9,537	3,161
Rental housing operating expenses	161	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	2,132	18,505	56,160	17,415
Operating Income (Loss)	21,793	(4,651)	2,484	2,989
<u>NONOPERATING EXPENSES</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(16,568)	-	-	-
Special Items	3,088	-	-	-
Transfers - Internal	39,519	(15,832)	15,721	(9,630)
Change in Net Assets	47,832	(20,483)	18,205	(6,641)
Net assets at beginning of year	831,498	46,684	200,229	104,294
Net Assets at End of Period	879,330	26,201	218,434	97,653

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
35,638	24,020	-	164,242
2,829	3,060	23	8,454
-	(56)	-	7,766
-	410	-	410
2,829	3,414	23	16,630
-	-	194,411	194,411
-	-	7,968	7,996
-	-	565	2,416
38,467	27,434	202,967	385,695
24,429	27,133	12	122,138
1,937	1,845	-	11,587
1,358	674	-	8,692
(1,103)	3,310	-	(6,673)
5,440	4,533	26,225	54,100
-	-	12,433	12,594
-	-	196,168	196,168
32,061	37,495	234,838	398,606
6,406	(10,061)	(31,871)	(12,911)
-	(3,781)	-	(20,349)
-	-	-	3,088
(59,827)	13,588	16,461	-
(53,421)	(254)	(15,410)	(30,172)
299,807	20,354	121,125	1,623,991
246,386	20,100	105,715	1,593,819

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ALASKA HOUSING FINANCE CORPORATION

Schedule 10

(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, 2011

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	13,668	-	13,668
Investment interest	537	19	556
Net change in the fair value of investments	7,822	-	7,822
Net change of hedge termination	-	-	-
Total Investment Revenue	8,359	19	8,378
Externally funded program	-	-	-
Rental	28	-	28
Other	1,849	2	1,851
Total Operating Revenues	23,904	21	23,925
<u>OPERATING EXPENSES</u>			
Interest	429	-	429
Mortgage and loan costs	1,394	-	1,394
Financing expenses	497	-	497
Provision for loan loss	(2,128)	-	(2,128)
Operations and administration	1,779	-	1,779
Rental housing operating expenses	161	-	161
Housing grants and subsidies	-	-	-
Total Operating Expenses	2,132	-	2,132
Operating Income (Loss)	21,772	21	21,793
<u>NONOPERATING EXPENSES,</u>			
<u>SPECIAL ITEMS & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	(16,568)	-	(16,568)
Special Items	3,088	-	3,088
Transfers - Internal	39,519	-	39,519
Change in Net Assets	47,811	21	47,832
Net assets at beginning of year	820,057	11,441	831,498
Net Assets at End of Period	867,868	11,462	879,330

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

(in thousands of dollars)

	Bonds 1998 A	Bonds 1999 A	Bonds 2000 A-D	Bonds 2001 A,B
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	1,111	3,305	2,293	2,828
Investment interest	99	361	130	10
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	99	361	130	10
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,210	3,666	2,423	2,838
<u>OPERATING EXPENSES</u>				
Interest	533	2,476	2,365	2,284
Mortgage and loan costs	75	230	150	195
Financing expenses	273	795	742	139
Provision for loan loss	(539)	(1,310)	(1,470)	143
Operations and administration	114	352	226	409
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	456	2,543	2,013	3,170
Operating Income (Loss)	754	1,123	410	(332)
<u>NONOPERATING EXPENSES,</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(11,669)	(23,014)	(2,348)	7,192
Change in Net Assets	(10,915)	(21,891)	(1,938)	6,860
Net assets at beginning of year	10,915	21,891	1,938	7,805
Net Assets at End of Period	-	-	-	14,665

Schedule 11

Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Mortgage Revenue Bonds Combined Total
-	3,430	12,967
217	70	887
-	-	-
-	-	-
217	70	887
-	-	-
-	-	-
-	-	-
217	3,500	13,854
321	3,200	11,179
-	287	937
190	95	2,234
-	3,906	730
1,163	1,161	3,425
-	-	-
-	-	-
1,674	8,649	18,505
(1,457)	(5,149)	(4,651)
-	-	-
-	-	-
(82)	14,089	(15,832)
(1,539)	8,940	(20,483)
4,135	-	46,684
2,596	8,940	26,201

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	9,588	3,470	2,274	2,488
Investment interest	61	14	12	13
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	61	14	12	13
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	9,649	3,484	2,286	2,501
<u>OPERATING EXPENSES</u>				
Interest	6,573	2,966	2,067	2,414
Mortgage and loan costs	665	238	152	160
Financing expenses	685	153	131	127
Provision for loan loss	(519)	(1,489)	(1,004)	(441)
Operations and administration	1,452	526	364	385
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	8,856	2,394	1,710	2,645
Operating Income (Loss)	793	1,090	576	(144)
<u>NONOPERATING EXPENSES,</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	1,702	761	(303)	68
Change in Net Assets	2,495	1,851	273	(76)
Net assets at beginning of year	41,701	2,837	2,674	2,108
Net Assets at End of Period	44,196	4,688	2,947	2,032

Schedule 12
continued on next page

Bonds 2007 A	Bonds 2007 B	Bonds 2007 C	Bonds 2007 D	Bonds 2008 A	Bonds 2008 B	Bonds 2009 A
3,514	3,753	3,444	4,443	3,011	3,672	4,604
32	29	14	31	14	13	33
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32	29	14	31	14	13	33
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,546	3,782	3,458	4,474	3,025	3,685	4,637
2,862	2,858	3,175	3,404	2,908	3,495	3,038
270	281	235	340	194	239	333
171	129	141	188	128	128	74
(54)	(165)	(197)	61	(329)	(315)	(429)
573	592	559	698	448	561	905
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,822	3,695	3,913	4,691	3,349	4,108	3,921
(276)	87	(455)	(217)	(324)	(423)	716
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(49)	655	(126)	377	(264)	(469)	4,300
(325)	742	(581)	160	(588)	(892)	5,016
9,773	9,707	3,537	10,269	3,079	4,080	35,972
9,448	10,449	2,956	10,429	2,491	3,188	40,988

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ALASKA HOUSING FINANCE CORPORATION

Schedule 12

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	4,568	4,490	4,975	58,294
Investment interest	35	10	39	350
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	35	10	39	350
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	4,603	4,500	5,014	58,644
<u>OPERATING EXPENSES</u>				
Interest	3,022	3,531	3,073	45,386
Mortgage and loan costs	334	338	324	4,103
Financing expenses	76	87	974	3,192
Provision for loan loss	(419)	27	(785)	(6,058)
Operations and administration	907	693	874	9,537
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,920	4,676	4,460	56,160
Operating Income (Loss)	683	(176)	554	2,484
<u>NONOPERATING EXPENSES,</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	4,068	318	4,683	15,721
Change in Net Assets	4,751	142	5,237	18,205
Net assets at beginning of year	36,280	3,775	34,437	200,229
Net Assets at End of Period	41,031	3,917	39,674	218,434

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, 2011

(in thousands of dollars)

	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	1,397	679	875	578
Investment interest	399	269	3	3
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	399	269	3	3
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,796	948	878	581
<u>OPERATING EXPENSES</u>				
Interest	1,047	526	569	387
Mortgage and loan costs	93	44	57	40
Financing expenses	528	278	45	(202)
Provision for loan loss	(508)	(162)	(22)	(82)
Operations and administration	139	66	124	97
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	1,299	752	773	240
Operating Income (Loss)	497	196	105	341
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(13,246)	(7,404)	135	200
Change in Net Assets	(12,749)	(7,208)	240	541
Net assets at beginning of year	12,749	7,208	5,558	4,465
Net Assets at End of Period	-	-	5,798	5,006

Schedule 13

Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
12,753	3,373	19,655
52	23	749
-	-	-
-	-	-
52	23	749
-	-	-
-	-	-
-	-	-
12,805	3,396	20,404
8,387	2,654	13,570
901	236	1,371
51	37	737
(1,625)	975	(1,424)
2,120	615	3,161
-	-	-
-	-	-
9,834	4,517	17,415
2,971	(1,121)	2,989
-	-	-
-	-	-
3,756	6,929	(9,630)
6,727	5,808	(6,641)
62,106	12,208	104,294
68,833	18,016	97,653

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, 2011

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	1,233	16,707	6,071	323
Investment interest	8	21	112	5
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	8	21	112	5
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,241	16,728	6,183	328
<u>OPERATING EXPENSES</u>				
Interest	-	12,281	7,092	31
Mortgage and loan costs	87	673	397	-
Financing expenses	-	218	65	38
Provision for loan loss	68	(1,229)	155	-
Operations and administration	180	2,111	1,475	156
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	335	14,054	9,184	225
Operating Income (Loss)	906	2,674	(3,001)	103
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	343	(5,974)	7,255	180
Change in Net Assets	1,249	(3,300)	4,254	283
Net assets at beginning of year	25,268	36,616	64,219	6,416
Net Assets at End of Period	26,517	33,316	68,473	6,699

Schedule 14

Governmental Purpose Bonds 2001 A-D	Combined Total
11,304	35,638
2,683	2,829
-	-
-	-
2,683	2,829
-	-
-	-
-	-
13,987	38,467
5,025	24,429
780	1,937
1,037	1,358
(97)	(1,103)
1,518	5,440
-	-
-	-
8,263	32,061
5,724	6,406
-	-
-	-
(61,631)	(59,827)
(55,907)	(53,421)
167,288	299,807
111,381	246,386

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, 2011

(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 Capital Project Bonds 2011 A
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	2,876	5,073	2,510	1,204
Investment interest	170	25	1,644	3
Net change in the fair value of investments	(42)	-	-	-
Net change of hedge termination	410	-	-	-
Total Investment Revenue	538	25	1,644	3
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	3,414	5,098	4,154	1,207
<u>OPERATING EXPENSES</u>				
Interest	3,136	4,197	3,966	1,442
Mortgage and loan costs	247	413	219	82
Financing expenses	190	68	83	94
Provision for loan loss	138	666	(252)	2,550
Operations and administration	517	839	369	949
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	4,228	6,183	4,385	5,117
Operating Income (Loss)	(814)	(1,085)	(231)	(3,910)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(263)	(927)	-	-
Special Items	-	-	-	-
Transfers - Internal	5,171	751	733	5,153
Change in Net Assets	4,094	(1,261)	502	1,243
Net assets at beginning of year	(712)	6,575	4,108	-
Net Assets at End of Period	3,382	5,314	4,610	1,243

Schedule 15

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
7,827	4,530	24,020
190	1,028	3,060
(14)	-	(56)
-	-	410
176	1,028	3,414
-	-	-
-	-	-
-	-	-
8,003	5,558	27,434
6,837	7,555	27,133
534	350	1,845
106	133	674
449	(241)	3,310
1,108	751	4,533
-	-	-
-	-	-
9,034	8,548	37,495
(1,031)	(2,990)	(10,061)
(2,591)	-	(3,781)
-	-	-
952	828	13,588
(2,670)	(2,162)	(254)
14,610	(4,227)	20,354
11,940	(6,389)	20,100

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, 2011

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Program
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	-	-	-	-
Investment interest	5	5	3	10
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	5	5	3	10
Externally funded program	115,490	11,940	2,244	35,757
Rental	-	5,872	2,097	(1)
Other	2	11	-	8
Total Operating Revenues	115,497	17,828	4,344	35,774
<u>OPERATING EXPENSES</u>				
Interest	-	12	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	4,732	13,115	2,832	4,089
Rental housing operating expenses	331	10,072	1,922	108
Housing grants and subsidies	110,644	-	-	30,536
Total Operating Expenses	115,707	23,199	4,754	34,733
Operating Income (Loss)	(210)	(5,371)	(410)	1,041
<u>NONOPERATING EXPENSES,</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	854	4,321	833	(83)
Change in Net Assets	644	(1,050)	423	958
Net assets at beginning of year	1,798	95,247	28,171	1,163
Net Assets at End of Period	2,442	94,197	28,594	2,121

Schedule 16

Other Programs	Combined Total
-	-
-	23
-	-
-	-
-	23
28,980	194,411
-	7,968
544	565
29,524	202,967
-	12
-	-
-	-
-	-
1,457	26,225
-	12,433
54,988	196,168
56,445	234,838
(26,921)	(31,871)
-	-
-	-
10,536	16,461
(16,385)	(15,410)
(5,254)	121,125
(21,639)	105,715

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, 2011

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds and Notes
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	8,559	12,019	55,009	18,760
Principal payments received on mortgages and loans	26,135	37,033	234,981	93,134
Purchases of mortgages and loans	(415,918)	-	-	-
Receipt (payment) for loan transfers between funds	402,025	(91,129)	(110,335)	(86,281)
Payments to employees and other payroll disbursements	(22,171)	-	-	-
Payments for goods and services	(12,594)	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	1,006,742	48,943	294,681	115,193
Interfund Payments	(1,021,891)	(49,063)	(290,058)	(111,920)
Grant payments to other agencies	(12,128)	-	-	-
Other operating cash receipts	39,394	-	-	-
Other operating cash payments	(11,989)	-	-	-
Net cash provided by (used for) operating activities	(13,836)	(42,197)	184,278	28,886
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	78,581	-	-
Principal paid on bonds	-	(129,920)	(88,020)	(55,505)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,580)	-	-	-
Interest paid	(444)	(11,122)	(45,216)	(13,836)
Proceeds from issuance of short term debt	625,296	-	-	-
Payment of short term debt	(688,167)	-	-	-
Contributions to the State of Alaska or other State agencies	(40,795)	-	-	-
Transfers (to) from other funds	123,839	55,726	(18,905)	(5,781)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	18,149	(6,735)	(152,141)	(75,122)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(2,199)	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	(84)	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Other cash payments	(411)	-	-	-
Net cash provided by (used for) capital financing activities	(2,694)	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(5,325,349)	(176,786)	(447,007)	(136,975)
Proceeds from maturity of investments	5,326,435	233,070	414,513	182,357
Interest received from investments	572	718	357	854
Net cash provided by (used for) investing activities	1,658	57,002	(32,137)	46,236
Net Increase (decrease) in cash	3,277	8,070	-	-
Cash at the beginning of year	38,175	-	-	-
Cash at the end of period	41,452	8,070	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	21,793	(4,651)	2,484	2,989
<u>Adjustments:</u>				
Depreciation expense	436	-	-	-
Provision for loan losses	(2,128)	730	(6,058)	(1,424)
Amortization of bond issuance costs	-	2,107	895	919
Net change in the fair value of investments	(7,822)	-	-	-
Transfers between funds for operating activity	(43,019)	1,351	12,054	3,031
Interest received from investments	(572)	(718)	(357)	(854)
Interest paid	444	11,122	45,216	13,836
<u>Changes in assets and liabilities:</u>				
Net increase (decrease) in mortgages and loans	12,242	(54,096)	124,646	6,853
Net increase (decrease) in assets and liabilities	4,790	1,958	5,398	3,536
Net cash provided by (used for) operating activities	(13,836)	(42,197)	184,278	28,886

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
34,221	22,999	-	151,567
125,123	96,968	-	613,374
-	-	-	(415,918)
(77,128)	(37,152)	-	-
-	-	(13,475)	(35,646)
-	-	(12,691)	(25,285)
-	-	158,987	158,987
-	-	38,944	38,944
-	-	(37,940)	(37,940)
157,280	119,225	174,161	1,916,225
(157,878)	(119,992)	(165,423)	(1,916,225)
-	-	(146,173)	(158,301)
75	218	8,551	48,238
-	(61)	(64)	(12,114)
81,693	82,205	4,877	325,906
-	95,130	-	173,711
(12,230)	(10,073)	-	(295,748)
-	-	-	-
-	-	-	(1,580)
(24,092)	(24,645)	-	(119,355)
-	-	-	625,296
-	-	-	(688,167)
-	(3,781)	-	(44,576)
(64,973)	(89,906)	-	-
-	-	-	-
(101,295)	(33,275)	-	(350,419)
-	(11,961)	(2,220)	(16,380)
-	-	9	9
-	14,215	-	14,215
-	(3,798)	-	(3,798)
-	-	-	(84)
-	(3,020)	-	(3,020)
-	6,771	-	6,771
-	-	-	(411)
-	2,207	(2,211)	(2,698)
(295,563)	(172,632)	-	(6,554,312)
312,218	121,188	-	6,589,781
2,947	464	23	5,935
19,602	(50,980)	23	41,404
-	157	2,689	14,193
-	2,969	18,074	59,218
-	3,126	20,763	73,411
6,406	(10,061)	(31,871)	(12,911)
-	-	6,674	7,110
(1,103)	3,310	-	(6,673)
330	283	-	4,534
-	56	-	(7,766)
6,042	6,165	14,376	-
(2,947)	(464)	(23)	(5,935)
24,092	27,665	-	122,375
47,995	59,816	-	197,456
878	(4,565)	15,721	27,716
81,693	82,205	4,877	325,906

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ALASKA HOUSING FINANCE CORPORATION**Schedule 18**

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS**REVOLVING FUNDS**

For the Year Ended June 30, 2011

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	8,559	-	8,559
Principal payments received on mortgages and loans	26,135	-	26,135
Purchases of mortgages and loans	(415,918)	-	(415,918)
Receipt (payment) for loan transfers between funds	402,025	-	402,025
Payments to employees and other payroll disbursements	(22,171)	-	(22,171)
Payments for goods and services	(12,594)	-	(12,594)
Cash received for externally funded programs	-	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund Receipts	1,006,742	-	1,006,742
Interfund Payments	(1,021,891)	-	(1,021,891)
Grant payments to other agencies	(12,128)	-	(12,128)
Other operating cash receipts	39,392	2	39,394
Other operating cash payments	(11,989)	-	(11,989)
Net cash provided by (used for) operating activities	(13,838)	2	(13,836)
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,580)	-	(1,580)
Interest paid	(444)	-	(444)
Proceeds from issuance of short term debt	625,296	-	625,296
Payment of short term debt	(688,167)	-	(688,167)
Contributions to the State of Alaska or other State agencies	(40,795)	-	(40,795)
Transfers (to) from other funds	123,839	-	123,839
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	18,149	-	18,149
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(2,199)	-	(2,199)
Proceeds from the disposal of capital assets	-	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	-	-	-
Payment of bond issuance costs	(84)	-	(84)
Interest paid on capital notes	-	-	-
Proceeds from the direct financing lease payments	-	-	-
Other cash payments	(411)	-	(411)
Net cash provided by (used for) capital financing activities	(2,694)	-	(2,694)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(5,325,329)	(20)	(5,325,349)
Proceeds from maturity of investments	5,326,435	-	5,326,435
Interest received from investments	552	20	572
Net cash provided by (used for) investing activities	1,658	-	1,658
Net Increase (decrease) in cash	3,275	2	3,277
Cash at the beginning of year	37,812	363	38,175
Cash at the end of period	41,087	365	41,452
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	21,772	21	21,793
Adjustments:			
Depreciation expense	436	-	436
Provision for loan losses	(2,128)	-	(2,128)
Amortization of bond issuance costs	-	-	-
Net change in the fair value of investments	(7,822)	-	(7,822)
Transfers between funds for operating activity	(43,019)	-	(43,019)
Interest received from investments	(552)	(20)	(572)
Interest paid	444	-	444
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	12,242	-	12,242
Net increase (decrease) in assets and liabilities	4,789	1	4,790
Net cash provided by (used for) operating activities	(13,838)	2	(13,836)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

(in thousands of dollars)

	Bonds 1998 A	Bonds 1999 A	Bonds 2000 A-D	Bonds 2001 A,B
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	958	2,873	1,967	2,649
Principal payments received on mortgages and loans	3,677	9,701	7,324	8,027
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	349	229	461	90
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	4,380	13,044	10,085	10,966
Interfund Payments	(4,636)	(12,577)	(9,293)	(10,679)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	4,728	13,270	10,544	11,053
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(14,585)	(56,205)	(48,935)	(8,695)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(596)	(2,705)	(2,606)	(2,338)
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	8,692	38,680	36,544	6,461
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(6,489)	(20,230)	(14,997)	(4,572)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(8,854)	(24,479)	(37,734)	(13,961)
Proceeds from maturity of investments	10,509	31,054	42,044	15,540
Interest received from investments	106	385	143	10
Net cash provided by (used for) investing activities	1,761	6,960	4,453	1,589
Net Increase (decrease) in cash	-	-	-	8,070
Cash at the beginning of year	-	-	-	-
Cash at the end of period	-	-	-	8,070
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	754	1,123	410	(332)
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(539)	(1,310)	(1,470)	143
Amortization of bond issuance costs	271	789	736	134
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	(525)	(1,564)	(180)	416
Interest received from investments	(106)	(385)	(143)	(10)
Interest paid	596	2,705	2,606	2,338
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	4,026	9,930	7,785	8,117
Net increase (decrease) in assets and liabilities	251	1,982	800	247
Net cash provided by (used for) operating activities	4,728	13,270	10,544	11,053

Schedule 19

Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Mortgage Revenue Bonds Combined Total
-	3,572	12,019
-	8,304	37,033
-	-	-
-	(92,258)	(91,129)
-	-	-
-	-	-
-	-	-
-	-	-
-	10,468	48,943
-	(11,878)	(49,063)
-	-	-
-	-	-
-	-	-
-	(81,792)	(42,197)
-	78,581	78,581
-	(1,500)	(129,920)
-	-	-
-	-	-
(68)	(2,809)	(11,122)
-	-	-
-	-	-
-	-	-
(65,637)	30,986	55,726
-	-	-
(65,705)	105,258	(6,735)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(6)	(91,752)	(176,786)
65,705	68,218	233,070
6	68	718
65,705	(23,466)	57,002
-	-	8,070
-	-	-
-	-	8,070
(1,457)	(5,149)	(4,651)
-	-	-
-	3,906	730
148	29	2,107
-	-	-
1,205	1,999	1,351
(6)	(68)	(718)
68	2,809	11,122
-	(83,954)	(54,096)
42	(1,364)	1,958
-	(81,792)	(42,197)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	9,085	3,239	2,159	2,315
Principal payments received on mortgages and loans	28,528	11,051	11,652	9,279
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(24,500)	2,131	673	1,063
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	37,991	14,452	14,083	11,878
Interfund Payments	(37,623)	(14,293)	(13,814)	(11,597)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	13,481	16,580	14,753	12,938
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(1,260)	(13,655)	(11,685)	(11,615)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(5,821)	(3,184)	(2,229)	(2,648)
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	(2,638)	-	(1,134)	(595)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(9,719)	(16,839)	(15,048)	(14,858)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(103,766)	(17,942)	(17,840)	(15,668)
Proceeds from maturity of investments	99,940	18,186	18,123	17,575
Interest received from investments	64	15	12	13
Net cash provided by (used for) investing activities	(3,762)	259	295	1,920
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)	793	1,090	576	(144)
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(519)	(1,489)	(1,004)	(441)
Amortization of bond issuance costs	31	130	115	110
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	2,227	467	367	363
Interest received from investments	(64)	(15)	(12)	(13)
Interest paid	5,821	3,184	2,229	2,648
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	4,028	13,182	12,325	10,342
Net increase (decrease) in assets and liabilities	1,164	31	157	73
Net cash provided by (used for) operating activities	13,481	16,580	14,753	12,938

Schedule 20
continued on next page

Bonds 2007 A	Bonds 2007 B	Bonds 2007 C	Bonds 2007 D	Bonds 2008 A	Bonds 2008 B	Bonds 2009 A
3,340	3,576	3,203	4,190	2,845	3,424	4,356
20,315	15,696	11,214	18,675	14,153	12,425	22,544
-	-	-	-	-	-	-
(11,790)	(11,969)	1,853	(10,781)	1,443	1,256	(19,733)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,733	19,591	15,650	22,756	17,503	15,844	28,189
(23,661)	(19,276)	(14,420)	(22,871)	(17,002)	(15,852)	(26,906)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,937	7,618	17,500	11,969	18,942	17,097	8,450
-	-	-	-	-	-	-
-	-	(14,485)	-	(15,525)	(12,965)	-
-	-	-	-	-	-	-
(2,821)	(2,818)	(3,230)	(3,350)	(2,972)	(3,531)	(3,013)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,563)	(941)	(1,167)	(1,592)	(1,408)	(1,070)	(1,450)
-	-	-	-	-	-	-
(4,384)	(3,759)	(18,882)	(4,942)	(19,905)	(17,566)	(4,463)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(34,407)	(31,690)	(20,378)	(35,956)	(20,062)	(19,053)	(37,060)
26,822	27,801	21,746	28,897	21,010	19,509	33,039
32	30	14	32	15	13	34
(7,553)	(3,859)	1,382	(7,027)	963	469	(3,987)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(276)	87	(455)	(217)	(324)	(423)	716
-	-	-	-	-	-	-
(54)	(165)	(197)	61	(329)	(315)	(429)
6	4	137	6	125	125	8
-	-	-	-	-	-	-
808	795	501	947	417	516	1,039
(32)	(30)	(14)	(32)	(15)	(13)	(34)
2,821	2,818	3,230	3,350	2,972	3,531	3,013
8,525	3,727	13,067	7,894	15,596	13,681	2,811
139	382	1,231	(40)	500	(5)	1,326
11,937	7,618	17,500	11,969	18,942	17,097	8,450

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(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
 FIRST TIME HOME BUYERS PROGRAM
 HOME MORTGAGE REVENUE BONDS
 For the Year Ended June 30, 2011
(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	4,370	4,136	4,771	55,009
Principal payments received on mortgages and loans	24,210	4,876	30,363	234,981
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(19,875)	(1,467)	(18,639)	(110,335)
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	29,399	9,186	34,426	294,681
Interfund Payments	(28,586)	(9,015)	(35,142)	(290,058)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	9,518	7,716	15,779	184,278
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(6,830)	-	(88,020)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(2,996)	(3,548)	(3,055)	(45,216)
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	(2,149)	(441)	(2,757)	(18,905)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(5,145)	(10,819)	(5,812)	(152,141)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(37,767)	(14,390)	(41,028)	(447,007)
Proceeds from maturity of investments	33,359	17,483	31,023	414,513
Interest received from investments	35	10	38	357
Net cash provided by (used for) investing activities	(4,373)	3,103	(9,967)	(32,137)
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)	683	(176)	554	2,484
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(419)	27	(785)	(6,058)
Amortization of bond issuance costs	7	83	8	895
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	1,049	680	1,878	12,054
Interest received from investments	(35)	(10)	(38)	(357)
Interest paid	2,996	3,548	3,055	45,216
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	4,335	3,409	11,724	124,646
Net increase (decrease) in assets and liabilities	902	155	(617)	5,398
Net cash provided by (used for) operating activities	9,518	7,716	15,779	184,278

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2011

(in thousands of dollars)

	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	1,236	601	840	560
Principal payments received on mortgages and loans	6,566	3,112	3,615	4,241
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(63)	(149)	(448)	(662)
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	8,105	3,984	4,602	4,910
Interfund Payments	(7,804)	(3,714)	(4,456)	(4,802)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	8,040	3,834	4,153	4,247
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(28,255)	(14,545)	(4,020)	(3,050)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(1,189)	(601)	(587)	(401)
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	10,567	3,893	(669)	(1,183)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(18,877)	(11,253)	(5,276)	(4,634)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(13,994)	(6,844)	(5,619)	(5,441)
Proceeds from maturity of investments	24,377	13,952	6,739	5,825
Interest received from investments	454	311	3	3
Net cash provided by (used for) investing activities	10,837	7,419	1,123	387
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)	497	196	105	341
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(508)	(162)	(22)	(82)
Amortization of bond issuance costs	524	276	43	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	(430)	(129)	135	198
Interest received from investments	(454)	(311)	(3)	(3)
Interest paid	1,189	601	587	401
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	6,503	2,963	3,167	3,579
Net increase (decrease) in assets and liabilities	719	400	141	(187)
Net cash provided by (used for) operating activities	8,040	3,834	4,153	4,247

Schedule 21

Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
12,265	3,258	18,760
62,601	12,999	93,134
-	-	-
(54,635)	(30,324)	(86,281)
-	-	-
-	-	-
-	-	-
-	-	-
77,202	16,390	115,193
(74,883)	(16,261)	(111,920)
-	-	-
-	-	-
-	-	-
22,550	(13,938)	28,886
-	-	-
(4,245)	(1,390)	(55,505)
-	-	-
-	-	-
(8,400)	(2,658)	(13,836)
-	-	-
-	-	-
(15,516)	(2,873)	(5,781)
-	-	-
(28,161)	(6,921)	(75,122)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(85,603)	(19,474)	(136,975)
91,158	40,306	182,357
56	27	854
5,611	20,859	46,236
-	-	-
-	-	-
-	-	-
-	-	-
2,971	(1,121)	2,989
-	-	-
(1,625)	975	(1,424)
42	34	919
-	-	-
2,456	801	3,031
(56)	(27)	(854)
8,400	2,658	13,836
7,966	(17,325)	6,853
2,396	67	3,536
22,550	(13,938)	28,886

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, 2011

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	1,158	16,243	5,805	332
Principal payments received on mortgages and loans	4,621	45,146	27,963	1,168
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	163	(20,019)	(45,813)	-
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	6,269	57,928	34,174	-
Interfund Payments	(5,780)	(61,403)	(33,774)	-
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	31	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	6,431	37,926	(11,645)	1,500
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(5,370)	(2,410)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	(12,297)	(7,090)	(33)
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	-	(1,570)	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(19,237)	(9,500)	(33)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(6,438)	(108,821)	(56,834)	(2,406)
Proceeds from maturity of investments	-	90,111	77,859	933
Interest received from investments	7	21	120	6
Net cash provided by (used for) investing activities	(6,431)	(18,689)	21,145	(1,467)
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)	906	2,674	(3,001)	103
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	68	(1,229)	155	-
Amortization of bond issuance costs	-	159	56	7
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	180	2,272	1,663	180
Interest received from investments	(7)	(21)	(120)	(6)
Interest paid	-	12,297	7,090	33
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	4,784	25,127	(17,850)	1,168
Net increase (decrease) in assets and liabilities	500	(3,353)	362	15
Net cash provided by (used for) operating activities	6,431	37,926	(11,645)	1,500

Schedule 22

Governmental Purpose Bonds 2001 A-D	Combined Total
10,683	34,221
46,225	125,123
-	-
(11,459)	(77,128)
-	-
-	-
-	-
-	-
58,909	157,280
(56,921)	(157,878)
-	-
44	75
-	-
47,481	81,693
-	-
(4,450)	(12,230)
-	-
-	-
(4,672)	(24,092)
-	-
-	-
-	-
(63,403)	(64,973)
-	-
(72,525)	(101,295)
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
(121,064)	(295,563)
143,315	312,218
2,793	2,947
25,044	19,602
-	-
-	-
-	-
5,724	6,406
-	-
(97)	(1,103)
108	330
-	-
1,747	6,042
(2,793)	(2,947)
4,672	24,092
34,766	47,995
3,354	878
47,481	81,693

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, 2011

(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 Capital Project Bonds 2011 A
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	2,729	4,807	2,330	1,554
Principal payments received on mortgages and loans	12,655	20,625	11,365	4,122
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(12,151)	(18,240)	-	-
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	14,593	24,697	14,169	4,001
Interfund Payments	(15,386)	(25,437)	(13,699)	(5,676)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	144	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	2,440	6,452	14,309	4,001
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	95,130
Principal paid on bonds	(415)	(1,630)	(3,145)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(758)	(4,275)	(4,219)	(1,439)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	(263)	(927)	-	-
Transfers (to) from other funds	4,938	-	-	(94,844)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	3,502	(6,832)	(7,364)	(1,153)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	-	-	-	(11,961)
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	14,215
Principal paid on capital notes	(3,731)	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	(2,600)	-	-	-
Proceeds from the direct financing lease payments	-	-	3,304	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(6,331)	-	3,304	2,254
<u>Cash flows from investing activities:</u>				
Purchase of investments	(26,369)	(26,972)	(17,484)	(18,504)
Proceeds from maturity of investments	26,579	27,327	7,364	13,399
Interest received from investments	179	25	15	3
Net cash provided by (used for) investing activities	389	380	(10,105)	(5,102)
Net Increase (decrease) in cash	-	-	144	-
Cash at the beginning of year	-	-	250	-
Cash at the end of period	-	-	394	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(814)	(1,085)	(231)	(3,910)
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	138	666	(252)	2,550
Amortization of bond issuance costs	76	32	50	17
Net change in the fair value of investments	42	-	-	-
Transfers between funds for operating activity	692	1,047	398	1,975
Interest received from investments	(179)	(25)	(15)	(3)
Interest paid	3,358	4,275	4,219	1,439
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	504	2,385	11,365	4,122
Net increase (decrease) in assets and liabilities	(1,377)	(843)	(1,225)	(2,189)
Net cash provided by (used for) operating activities	2,440	6,452	14,309	4,001

Schedule 23

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
7,309	4,270	22,999
23,796	24,405	96,968
-	-	-
(4,789)	(1,972)	(37,152)
-	-	-
-	-	-
-	-	-
-	-	-
33,073	28,692	119,225
(31,112)	(28,682)	(119,992)
-	-	-
-	74	218
-	(61)	(61)
28,277	26,726	82,205
-	-	95,130
(1,053)	(3,830)	(10,073)
-	-	-
-	-	-
(6,573)	(7,381)	(24,645)
-	-	-
-	-	-
(2,591)	-	(3,781)
-	-	(89,906)
-	-	-
(10,217)	(11,211)	(33,275)
-	-	(11,961)
-	-	-
-	-	14,215
(67)	-	(3,798)
-	-	-
(420)	-	(3,020)
-	3,467	6,771
-	-	-
(487)	3,467	2,207
(46,703)	(36,600)	(172,632)
28,928	17,591	121,188
202	40	464
(17,573)	(18,969)	(50,980)
-	13	157
-	2,719	2,969
-	2,732	3,126
(1,031)	(2,990)	(10,061)
-	-	-
449	(241)	3,310
33	75	283
14	-	56
1,225	828	6,165
(202)	(40)	(464)
6,993	7,381	27,665
19,007	22,433	59,816
1,789	(720)	(4,565)
28,277	26,726	82,205

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, 2011

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Program
<u>Cash flows from operating activities:</u>				
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	(1,114)	(6,960)	(1,496)	(2,889)
Payments for goods and services	(3,723)	(6,920)	(1,491)	(288)
Cash received for externally funded programs	114,677	12,560	2,244	4,222
Cash received for Federal HAP subsidies	-	-	-	31,874
Payments for Federal HAP subsidies	-	-	-	(30,894)
Interfund Receipts	115,579	14,755	2,921	3,157
Interfund Payments	(115,345)	(17,240)	(2,846)	(4,516)
Grant payments to other agencies	(109,664)	-	-	-
Other operating cash receipts	282	5,908	2,092	56
Other operating cash payments	-	(6)	(2)	(56)
Net cash provided by (used for) operating activities	692	2,097	1,422	666
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	-	-	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	-	-	-
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	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	-
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(1,083)	(1,137)	-	-
Proceeds from the disposal of capital assets	-	9	-	-
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	(1,083)	(1,128)	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	5	5	3	10
Net cash provided by (used for) investing activities	5	5	3	10
Net Increase (decrease) in cash	(386)	974	1,425	676
Cash at the beginning of year	1,945	9,050	5,008	2,068
Cash at the end of period	1,559	10,024	6,433	2,744
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(210)	(5,371)	(410)	1,041
<i>Adjustments:</i>				
Depreciation expense	4	5,495	1,164	11
Provision for loan losses	-	-	-	-
Amortization of bond issuance costs	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	950	2,711	263	(83)
Interest received from investments	(5)	(5)	(3)	(10)
Interest paid	-	-	-	-
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	-	-	-	-
Net increase (decrease) in assets and liabilities	(47)	(733)	408	(293)
Net cash provided by (used for) operating activities	692	2,097	1,422	666

Schedule 24

Other Programs	Combined Total
-	-
-	-
-	-
-	-
(1,016)	(13,475)
(269)	(12,691)
25,284	158,987
7,070	38,944
(7,046)	(37,940)
37,749	174,161
(25,476)	(165,423)
(36,509)	(146,173)
213	8,551
-	(64)
-	4,877

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-	-
-	-
-	23
-	23

-	2,689
3	18,074
3	20,763

(26,921)	(31,871)
-	6,674
-	-
-	-
-	-
10,535	14,376
-	(23)
-	-
-	-
16,386	15,721
-	4,877

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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 \$145,890,000 aggregate principal amount of General Mortgage Revenue Bonds II, 2012 Series A (the “2012 Series A Bonds”) and \$50,000,000 aggregate principal amount of General Mortgage Revenue Bonds II, 2012 Series B (the “2012 Series B Bonds”; together with the 2012 Series A Bonds, the “2012 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 2012 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted April 4, 2012, and are issued pursuant to the Indenture authorized by said resolution by and between the Corporation and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of July 1, 2012, and the 2012 Series A Supplemental Indenture by and between the Corporation and the Trustee, dated as of July 1, 2012, and the 2012 Series B Supplemental Indenture by and between the Corporation and the Trustee, dated as of July 1, 2012, executed pursuant to said Indenture (together, the “Indenture”).

The 2012 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 2012 Series A Bonds in order for interest on the 2012 Series A 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 (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 2012 Series A Bonds will be, and remain, not included in gross income for Federal income tax purposes, under Section 103 of the Code. 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 Tax Regulatory Agreement and No Arbitrage Certificate as to matters affecting the tax-exempt status of the 2012 Series A 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 2012 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 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 2012 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 statutes and court decisions, interest on the 2012 Series A Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2012 Series A Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the 2012 Series A 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 2012 Series A Bonds.

8. Interest on the 2012 Series B Bonds is *included* in gross income for Federal income tax purposes. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2012 Series B Bonds.

9. Under existing laws, interest on the 2012 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 estate and inheritance 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 2012 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Very truly yours,

BIRCH HORTON BITTNER & CHEROT

By: _____

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FORM OF OPINION OF SPECIAL TAX COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

\$195,890,000
Alaska Housing Finance Corporation
General Mortgage Revenue Bonds II
\$145,890,000 2012 Series A
\$50,000,000 2012 Series B

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$145,890,000 aggregate principal amount of Alaska Housing Finance Corporation General Mortgage Revenue Bonds II, 2012 Series A (the “2012 Series A Bonds”) and \$50,000,000 aggregate principal amount of Alaska Housing Finance Corporation General Mortgage Revenue Bonds II, 2012 Series B (the “2012 Series B Bonds”; together with the 2012 Series A Bonds, the “Bonds”). The Bonds will be issued pursuant to the General Mortgage Revenue Bonds II Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of July 1, 2012 (the “Indenture”), the 2012 Series A Supplemental Indenture by and between the Corporation and the Trustee, dated as of July 1, 2012, authorizing the issuance of the 2012 Series A Bonds (the “2012 Series A Supplemental Indenture”), and the 2012 Series B Supplemental Indenture by and between the Corporation and the Trustee, dated as of July 1, 2012, authorizing the issuance of the 2012 Series B Bonds (collectively with the 2012 Series A Supplemental Indenture, the “Supplemental Indenture”). Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indenture.

In connection with the issuance of the Bonds, we have examined the Indenture and the Supplemental 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, the Supplemental Indenture and the Tax Regulatory Agreement and No 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 2012 Series A Bonds is excluded from gross income for Federal income tax purposes.

We are further of the opinion that interest on the 2012 Series A Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the 2012 Series A 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 are further of the opinion that interest on the 2012 Series B Bonds is *included* in gross income for Federal income tax purposes.

Any federal tax advice contained in this opinion was written to support the marketing of the 2012 Series B Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

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 & Cherot as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

CERTAIN DEFINITIONS WITH RESPECT TO THE 2012 SERIES B BONDS

“Alternate Liquidity Facility” means any Liquidity Facility subsequent to the Initial Liquidity Facility that the Corporation may provide pursuant to the 2012 Series B Supplemental Indenture. This Official Statement is intended to describe 2012 Series B Bonds only when they 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 2012 Series B 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 2012 Series B 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 2012 Series B Bonds prior to Conversion, determined for each Effective Rate Period as herein described.

“Effective Rate Date” means the date on which the 2012 Series B 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 an 2012 Series B Bond, established in accordance with the 2012 Series B Supplemental Indenture. This Official Statement is not intended to describe the 2012 Series B Bonds following a Conversion to Fixed Interest Rates.

“Indexed Rate” means an index-based variable rate determined in accordance with the 2012 Series B Supplemental Indenture. This Official Statement is not intended to describe the 2012 Series B Bonds following a Conversion to an Indexed Rate.

“Liquidity Expiration Event” means either (i) the Corporation has determined to terminate a 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 a Liquidity Facility that it will be extended, renewed, or replaced.

“Liquidity Facility” means, for purposes of the 2012 Series B Bonds, any Liquidity Facility provided pursuant to the 2012 Series B Supplemental Indenture by the Corporation, including the Initial Liquidity Facility.

“Maximum Rate” means, with respect to 2012 Series B Bonds bearing interest at a Weekly Rate, 12% per annum.

“Mode” means the manner in which the interest rate on the 2012 Series B Bonds is determined, consisting of a Daily Rate, Weekly Rate, Quarterly Rate or Semiannual Rate. This Official Statement is not intended to describe 2012 Series B Bonds bearing interest at other than a Weekly Rate.

“Mode Change” means a change in Mode Period.

“Mode Change Date” means the effective date of a Mode Change.

“Mode Period” means each period beginning on the first Effective Rate Date for the 2012 Series B 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 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 is the first Business Day preceding the related Effective Rate Date.

“Remarketing Agent” means Merrill Lynch and its successors and assigns, unless another remarketing agent shall be duly appointed in accordance with the Indenture.

“Seven Day LIBOR” means, with respect to any Effective Rate Period, the per annum rate (rounded, if necessary, to the nearest one-hundredth of one percent) for deposits in United States dollars for seven days that appears on the Official LIBOR Page as of 11:00 a.m., London, England time, on the second Business Day immediately preceding the Effective Rate Date; provided that if such rate does not appear on the Official LIBOR Page or if fewer than two offered rates appear thereon, then Seven Day LIBOR means the rate determined by the Trustee to be the arithmetic mean (rounded, if necessary, to the nearest one-hundredth of one percent) of two or more quotations, requested and received by the Trustee from the principal London, England office of at least two major banks that are engaged in transactions in the London, England interbank market, for United States dollar deposits for seven days to prime banks in the London, England interbank market as of 11:00 a.m., London, England time, on the date such quotations are requested and received; and provided, further, that if on such date fewer than two quotations are received, Seven Day LIBOR means the arithmetic mean (rounded, if necessary, to the nearest one-hundredth of one percent) of the offered rates that one or more leading banks in New York, New York (other than the Trustee or a bank owned by or affiliated with the Trustee) are quoting, as of 11:00 a.m., New York time, on such date, to leading European banks for United States dollar deposits for seven days; and provided, further, that if such New York banks

are not quoting such rates, Seven Day LIBOR means the Seven Day LIBOR applicable to the immediately preceding Effective Rate Period.

“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.

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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 \$145,890,000 aggregate principal amount of its General Mortgage Revenue Bonds II, 2012 Series A (the “2012 Series A Bonds”) and \$50,000,000 aggregate principal amount of its General Mortgage Revenue Bonds II, 2012 Series B (the “2012 Series B Bonds”; together with the 2012 Series A Bonds, the “Subject Bonds”). The Subject Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association, as trustee (the “Trustee”), dated as of July 1, 2012 (the “Master Indenture”), a 2012 Series A Supplemental Indenture, dated as of July 1, 2012, by and between the Corporation and the Trustee, and a 2012 Series B Supplemental Indenture, dated as of July 1, 2012, by and between the Corporation and the Trustee (collectively, together with the Master Indenture, the “Indenture”). 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 June 1, 2012.

“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, 2012) 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 constituting 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. The Corporation shall, in a timely manner, file notice with the MSRB of any failure to file an Annual Report by the date specified in this Section 3. Such notice shall be in the form attached as Exhibit A to this Certificate, subject to Section 9 of this Certificate.

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 Official Statement under the caption “The Corporation,” (iii) financial information regarding the Mortgage Loans of the same type as provided in the Official Statement under the caption “Acquired Obligations — Mortgage Loans,” (iv) the amount and type of the investments (and cash) in the accounts and subaccounts established in the Indenture, (v) the amount and type of investments in the Debt Service Reserve Fund and the Special Reserve Fund, (vi) the outstanding principal balances of each maturity of Subject Bonds and the sinking fund installment amounts as applicable, and (vii) 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 of the Corporation;
2. Non-payment related defaults under the Indenture and any Supplemental Indenture, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Subject Bonds, or other material events affecting the tax status of the Subject Bonds;
7. Modifications to rights of Subject Bondholders, if material;
8. Subject Bond calls, if material, and tender offers;
9. Defeasances of Subject Bonds;
10. Release, substitution or sale of property securing repayment of the Subject Bonds, if material;
11. Rating changes for the Subject Bonds;
12. Bankruptcy, insolvency, receivership or similar event[†] of the Corporation;
13. The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Upon the occurrence of a Listed Event, the Corporation shall file a notice of such occurrence with the MSRB and the Trustee in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event.

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.

[†] Note to Paragraph 12: For the purposes of the event identified in Paragraph 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

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 Subject 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: _____, 2012

ALASKA HOUSING FINANCE CORPORATION

By: _____

Exhibit A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: \$195,890,000 General Mortgage Revenue Bonds II,
2012 Series A and 2012 Series B

Date of Issuance: July 11, 2012

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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