

REMARKETING – NOT NEW ISSUE - BOOK ENTRY ONLY

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



\$239,370,000
ALASKA HOUSING FINANCE CORPORATION
Home Mortgage Revenue Bonds

\$75,000,000 2007 Series A (Variable Rate)

\$75,000,000 2007 Series B (Variable Rate)

\$89,370,000 2007 Series D (Variable Rate)

<i>Dated</i>	Date of delivery.
<i>Due</i>	\$75,000,000 2007 Series A Term Bonds due December 1, 2041 ("2007 Series A Bonds") CUSIP: 01170PBW5 \$75,000,000 2007 Series B Term Bonds due December 1, 2041 ("2007 Series B Bonds") CUSIP: 01170PBV7 \$89,370,000 2007 Series D Term Bonds due December 1, 2041 ("2007 Series D Bonds") CUSIP: 01170PBX3
<i>Price</i>	100%.
<i>Tax Exemption</i>	The opinions of Birch, Horton, Bittner and Cherot, as bond counsel on the date of original issuance, and Kutak Rock LLP, as Special Tax Counsel, delivered in connection with the original issuance of the above-captioned bonds (the "Remarketed Bonds"), stated that, 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 Remarketed Bonds is excluded from gross income for Federal income tax purposes; and (ii) interest on the Remarketed Bonds is not treated as a preference item to be included in calculating the alternative minimum tax imposed under the Code on individuals and corporations, but such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax. Birch, Horton, Bittner and Cherot, as bond counsel, was further of the opinion that, under existing laws, interest on the Remarketed 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. Such bond counsel and Special Tax Counsel expressed no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Remarketed Bonds. On the Remarketing Date, the Law Office of Kenneth E. Vassar, LLC, as Bond Counsel, and Kutak Rock LLP, as Special Tax Counsel, will deliver their opinions that, under existing laws, regulations, rulings and judicial decisions, delivery of each FHLB Liquidity Facility, as defined below, with respect to the Remarketed Bonds on the Remarketing Date will not, in and of itself, adversely affect the exclusion of interest on the Remarketed Bonds from gross income for federal income tax purposes. See "Tax Matters."
<i>Redemption</i>	The Remarketed Bonds are subject to redemption prior to maturity at 100% of their principal amount under the circumstances described herein. See "The Remarketed Bonds—Redemption Provisions." ON JUNE 1, 2017, \$765,000 OF 2007 SERIES A BONDS, \$765,000 OF 2007 SERIES B BONDS AND \$925,000 OF 2007 SERIES D BONDS WILL BE SUBJECT TO REDEMPTION PURSUANT TO SINKING FUND PAYMENTS. ON OR AFTER MAY 26, 2017, NOTICE WILL BE GIVEN STATING THAT CERTAIN REMARKETED BONDS ARE SUBJECT TO SUCH REDEMPTION. PURCHASERS OF REMARKETED BONDS ARE DEEMED TO CONSENT TO THE TERMS OF SUCH NOTICE AND REDEMPTION ON JUNE 1, 2017.
<i>Variable Rate; Tender; Liquidity Facility</i>	The Remarketed Bonds will initially bear interest at a Weekly Rate as described under "The Remarketed Bonds—General" and "The Remarketed Bonds—Description of the Remarketed Bonds." THIS AMENDED AND RESTATED REMARKETING STATEMENT (THIS "REMARKETING STATEMENT") IS NOT INTENDED TO DESCRIBE REMARKETED BONDS THAT ARE NOT IN A WEEKLY MODE. The Remarketed Bonds in a Weekly Mode are subject to optional and mandatory tender for purchase as described under "The Remarketed Bonds—Description of the Remarketed Bonds." The Remarketed Bonds subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent will be purchased, subject to certain conditions precedent, by the Federal Home Loan Bank of Des Moines (the "FHLB"), as liquidity provider, pursuant to the terms of a Liquidity Facility as described herein (each, an "FHLB Liquidity Facility") among the FHLB, as Liquidity Provider, the Corporation and U.S. Bank National Association, as Trustee and Tender Agent. THIS REMARKETING STATEMENT IS INTENDED ONLY TO DESCRIBE REMARKETED BONDS THAT ARE COVERED BY AN FHLB LIQUIDITY FACILITY. Under certain circumstances described herein, an FHLB Liquidity Facility will terminate or be suspended and, in some circumstances, the termination or suspension of an FHLB Liquidity Facility will be immediate and without notice to bondholders. In such event no funds may be available pursuant to an FHLB Liquidity Facility to purchase Remarketed Bonds. See "The Liquidity Facility."
<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 Program Obligations and amounts in the Funds and Accounts (excluding the Rebate Fund) held under the Indenture. See "Sources of Payment and Security for the Bonds" and "Program Obligations." THE CORPORATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE BONDS ARE GENERAL OBLIGATIONS OF THE CORPORATION AND ARE NOT INSURED OR GUARANTEED BY ANY OTHER GOVERNMENTAL AGENCY.
<i>Interest Payment Dates</i>	Each June 1 and December 1, commencing June 1, 2017.
<i>Denominations</i>	\$100,000 or any integral multiple of \$5,000 in excess thereof.
<i>Original Issuance Date</i>	May 31, 2007.
<i>Remarketing Date</i>	May 25, 2017.
<i>Bond Counsel</i>	Law Office of Kenneth E. Vassar, LLC.
<i>Special Tax Counsel</i>	Kutak Rock LLP.
<i>Remarketing Agent</i>	2007 Series A and B: Raymond James & Associates, Inc. 2007 Series D: Wells Fargo Securities, LLC.
<i>Trustee and Tender Agent</i>	U.S. Bank National Association.
<i>Financial Advisor</i>	First Southwest Company.
<i>Book-Entry System</i>	The Depository Trust Company. See "The Remarketed Bonds—Book Entry Only."
<i>Liquidity Provider</i>	Federal Home Loan Bank of Des Moines.
<i>Liquidity Provider's Counsel</i>	Brown, Winick, Graves, Gross, Baskerville and Schoenebaum, P.L.C.

The Remarketed Bonds are remarketed when, as and if received by the Remarketing Agent, subject to confirmation of certain tax matters by Bond Counsel and Special Tax Counsel, and to certain other conditions.

RAYMOND JAMES[†]

WELLS FARGO SECURITIES^{††}

[†] Sole Remarketing Agent with respect to the 2007 Series A Bonds and 2007 Series B Bonds.

^{††} Sole Remarketing Agent with respect to the 2007 Series D Bonds.

May 18, 2017

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No dealer, broker, salesman or other person has been authorized by the Corporation or the Remarketing Agent to give any information or to make any representations, other than as contained in this Amended and Restated Remarketing Statement (this “Remarketing 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 Remarketing Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Remarketed 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 Remarketing Agent. The information set forth in Appendix G hereto has been obtained from the Federal Home Loan Bank of Des Moines and is not guaranteed as to accuracy or completeness, nor to be construed as a representation, by the Corporation or the Remarketing Agent. 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 Remarketed 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 Remarketing 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 Remarketing Statement.

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

The information relating to the Liquidity Provider set forth in APPENDIX G under the heading “CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER” has been furnished by the Liquidity Provider and has not been independently confirmed or verified by the Corporation. The Liquidity Provider has no responsibility for the form and content of this Remarketing Statement, other than solely with respect to the information set forth in APPENDIX G under the heading “CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER”, and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Remarketing Statement or any information or disclosure contained herein, other than solely with respect to the information set forth in APPENDIX G under the heading “CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER”, or omitted herefrom.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Remarketing Statement.

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**AMENDED AND RESTATED
REMARKETING STATEMENT
OF
ALASKA HOUSING FINANCE CORPORATION
Relating to
\$239,370,000 Home Mortgage Revenue Bonds
\$75,000,000 2007 Series A (Variable Rate)
\$75,000,000 2007 Series B (Variable Rate)
\$89,370,000 2007 Series D (Variable Rate)**

INTRODUCTION

This Amended and Restated Remarketing Statement, including the cover page and appendices (this “Remarketing Statement”) sets forth information in connection with the Corporation’s Home Mortgage Revenue Bonds, 2007 Series A (the “2007 Series A Bonds”), 2007 Series B (the “2007 Series B Bonds”) and 2007 Series D (the “2007 Series D Bonds”, and, with the 2007 Series A Bonds and 2007 Series B Bonds, the “Remarketed Bonds”). The Remarketed Bonds are being remarketed pursuant to Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended (the “Act”), an Indenture, dated as of May 1, 2002, as amended and supplemented (the “General Indenture”), by and between the Corporation and U.S. Bank National Association, as trustee (the “Trustee”), and a 2007 Series A Supplemental Indenture dated as of May 1, 2007, as amended as of May 25, 2017 (the “2007 Series A Supplemental Indenture”), with respect to the 2007 Series A Bonds, a 2007 Series B Supplemental Indenture dated as of May 1, 2007, as amended as of May 25, 2017 (the “2017 Series B Supplemental Indenture”), with respect to the 2007 Series B Bonds, and a 2007 Series D Supplemental Indenture (the “2007 Series D Supplemental Indenture,”) dated as of May 1, 2007, as amended as of May 25, 2017, each by and between the Corporation and the Trustee (collectively, the “2007 Series A, B and D Supplemental Indentures”). 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 2007 Series A, B and D Supplemental Indentures) are referred to collectively as the “Indenture.” FOR CERTAIN DEFINITIONS USED IN THIS REMARKETING STATEMENT, SEE “THE CORPORATION—CERTAIN DEFINITIONS,” “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—CERTAIN DEFINITIONS” AND APPENDIX F— “CERTAIN DEFINITIONS WITH RESPECT TO THE REMARKETED BONDS.” Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. All references to days in this Remarketing Statement will mean calendar days unless stated otherwise. All references to times in this Remarketing Statement, unless indicated otherwise, shall be to Eastern Time.

The Remarketed Bonds were the seventh, eighth and ninth Series of Bonds, respectively, issued under the General Indenture. As of March 31, 2017, the Corporation had issued 15 Series of Bonds under the General Indenture in the aggregate principal amount of \$1,262,675,000 and as of such date there were Bonds Outstanding in the aggregate principal amount of \$543,865,000. The Corporation is permitted to issue additional bonds (including refunding

bonds) pursuant to and secured under the Indenture (“Additional Bonds”), subject to certain conditions. See “Sources of Payment and Security for the Bonds—Additional Bonds.” The Remarketed Bonds are secured on a parity with the other series of Bonds issued under the General Indenture and will be secured on a parity with any Additional Bonds.

On March 23, 2006, the Corporation issued its \$75,000,000 Home Mortgage Revenue Bonds, 2006 Series B (the “2006 Series B Bonds”). The 2006 Series B Bonds and the 2007 Series A Bonds constitute a composite issue (the “2006B/2007A Composite Issue”) for federal tax purposes. However, the respective proceeds of the 2006 Series B Bonds and the 2007 Series A Bonds were not blended in financing Mortgage Loans, nor are amounts related to 2006 Series B Bonds required to be used to redeem 2007 Series A Bonds, or vice versa, except as may be required by the Code. The 2006 Series B Bonds are no longer Outstanding.

On June 20, 2006, the Corporation issued its \$75,000,000 Home Mortgage Revenue Bonds, 2006 Series C (the “2006 Series C Bonds”). The 2006 Series C Bonds and the 2007 Series B Bonds constitute a composite issue (the “2006C/2007B Composite Issue”) for federal tax purposes. However, the respective proceeds of the 2006 Series C Bonds and the 2007 Series B Bonds were not blended in financing Mortgage Loans, nor are amounts related to 2006 Series C Bonds required to be used to redeem 2007 Series B Bonds, or vice versa, except as may be required by the Code. The 2006 Series C Bonds are no longer Outstanding.

On February 14, 2007, the Corporation issued its \$89,370,000 Home Mortgage Revenue Bonds, 2007 Series C (the “2007 Series C Bonds”). The 2007 Series C Bonds and the 2007 Series D Bonds constitute a composite issue (the “2007C/2007D Composite Issue”; together with the 2006B/2007A Composite Issue and the 2006C/2007B Composite Issue, the “Composite Issues”) for federal tax purposes. However, the respective proceeds of the 2007 Series C Bonds and the 2007 Series D Bonds were not blended in financing Mortgage Loans, nor are amounts related to 2007 Series C Bonds required to be used to redeem 2007 Series D Bonds, or vice versa, except as may be required by the Code. The 2007 Series C Bonds are no longer Outstanding.

The Corporation from its general unrestricted funds will pay remarketing fees and other costs of remarketing.

The Remarketed Bonds will initially be remarketed in a Weekly Mode. The Corporation may elect to cause Remarketed 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, Remarketed Bonds will be subject to mandatory tender for purchase. See “The Remarketed Bonds—Description of the Remarketed Bonds—Mandatory Tender.” **THIS REMARKETING STATEMENT IS NOT INTENDED TO DESCRIBE REMARKETED BONDS THAT ARE NOT IN A WEEKLY MODE.** While in a Weekly Mode, Remarketed Bonds also are subject to tender by the Holders thereof under the circumstances set forth in the 2007 Series A, B and D Supplemental Indentures, respectively.

Raymond James & Associates, Inc. will initially act as sole Remarketing Agent for the 2007 Series A Bonds and 2007 Series B Bonds (the “2007 Series A/B Remarketing Agent”). Wells Fargo Securities, LLC will initially act as sole remarketing agent with respect to the

2007 Series D Bonds (the “2007 Series D Remarketing Agent”). Each of the 2007 Series A/B Remarketing Agent and 2007 Series D Remarketing Agent is referred to herein as a “Remarketing Agent.” The Corporation may replace any Remarketing Agent at any time, and any Remarketing Agent may resign as such at any time, in each case upon notice. The Corporation may appoint multiple Remarketing Agents for any Series.

There is expected to be a Liquidity Facility with respect to each Series provided in connection with the mandatory tender and remarketing of each Series of the Remarketed Bonds, pursuant to respective Standby Bond Purchase Agreements dated as of May 25, 2017 (each, an “FHLB Liquidity Facility”), among the Federal Home Loan Bank of Des Moines (the “FHLB”), as Liquidity Provider, the Corporation, and U.S. Bank National Association, as Trustee and tender agent (“Tender Agent”), which will replace the Standby Bond Purchase Agreements dated as of May 1, 2007 (collectively, the “Initial Liquidity Facility”), by and among Landesbank Baden-Württemberg, acting through its New York Branch (“LBBW”), the Corporation, and U.S. Bank National Association as Tender Agent, provided upon the original issuance of the Remarketed Bonds. The FHLB Liquidity Facility will provide for the purchase by the FHLB, on the terms and conditions specified therein, of tendered Remarketed Bonds in a Weekly Mode Period only that cannot be remarketed as provided in the 2007 Series A, B and D Supplemental Indentures. Upon conversion of a Series of the Remarketed Bonds to any Mode other than a mode covered by the applicable FHLB Liquidity Facility, the applicable FHLB Liquidity Facility and the FHLB’s obligations thereunder will terminate. A default under an FHLB Liquidity Facility by the FHLB is not an Event of Default under the Indenture. See “The Liquidity Facility.”

The Corporation may provide an Alternate Liquidity Facility in substitution for an FHLB Liquidity Facility, and in such event the applicable FHLB Liquidity Facility and the FHLB’s obligations thereunder will terminate. **THIS REMARKETING STATEMENT IS INTENDED ONLY TO DESCRIBE REMARKETED BONDS THAT ARE COVERED BY AN FHLB LIQUIDITY FACILITY.**

When an FHLB Liquidity Facility terminates, the applicable series of Remarketed Bonds is subject to mandatory tender.

The Corporation has entered into interest rate swap agreements relating to the Remarketed Bonds (the “Swap Agreements”) with Goldman Sachs Mitsui Derivative Products, L.P., an affiliate of Goldman Sachs, and with JPMorgan Chase Bank, N.A. (successor to Bear Stearns Financial Products Inc.) (collectively, the “Counterparties”). The purpose of the Swap Agreements is to place the aggregate net obligation of the Corporation with respect to the portion of the Program financed by the Remarketed Bonds on an approximately fixed-rate basis. Payments made to the Corporation under the Swap Agreements will constitute Pledged Revenues and will be deposited in the Revenue Fund on receipt. Regularly scheduled payments due under the Swap Agreements to the Counterparties will be paid from Pledged Revenues pledged under the Indenture in the same order of priority as payments of interest on the Bonds. Payments due under the Swap Agreements to the Counterparties in respect of an Early Termination Date (as defined in the Swap Agreements) will be withdrawn free and clear of the lien of the Indenture (to the extent available thereunder and in accordance with the requirements therefor) as described in clause (iv) of paragraph Fifth under “Summary of Certain Provisions of the Indenture—

Redemption Fund” for payment to the Counterparties. Any payments due under the Swap Agreements to the Counterparties in excess of amounts available therefor under the Indenture will be a general obligation of the Corporation.

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

The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation’s Housing Development Fund. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A – “Financial Statements of the Corporation.”

It is expected that the Bonds will be primarily secured by a portfolio of Program Obligations, consisting of whole mortgage loans (the “Mortgage Loans”). The Bonds also may be secured by mortgage-backed pass-through certificates and, if there will be no adverse effect on the ratings then assigned to the Bonds, other mortgage instruments. The Mortgage Loans will be first-lien mortgage loans with respect to single family residences located in the State. See “Sources of Payment and Security for the Bonds,” “Program Obligations” and the definitions of Mortgage Loan and Program Obligations under “Summary of Certain Provisions of the Indenture—Certain Definitions.” The Mortgage Loans, or portions of Mortgage Loans, financed with proceeds attributable to the Remarketed Bonds are referred to as the “2007 Series A, B and D Mortgage Loans.”

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

Investors should consider the financial condition and credit worthiness of the FHLB before purchasing the Remarketed Bonds. Appendix G to this Supplement has been furnished by the FHLB and contains information concerning the FHLB.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds Outstanding, including the Remarketed Bonds, are, and any Additional Bonds issued under the Indenture will be, direct and general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made or to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation’s Housing Development Fund. All

Bonds issued under the Indenture will be secured on a parity lien basis under the Indenture. See “Sources of Payment and Security for the Bonds—Additional Bonds.”

The Bonds are secured by a pledge of (a) Program Obligations; (b) any Mortgage Loans acquired with Bond proceeds, including the title, hazard and primary insurance policies related thereto; the Mortgages securing such Mortgage Loans; and property held by the Corporation pursuant to foreclosure or deed in lieu of foreclosure of any such Mortgage Loan; (c) the Pledged Revenues and all amounts held in any Fund or Account under the Indenture (except the Rebate Fund and the Bond Purchase Fund and the amounts held therein or earned thereon and to the extent provided in the General Indenture as to amounts payable free and clear of any trust, lien or pledge created by the General Indenture); and (d) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in any Fund under the General Indenture, except the Rebate Fund and the Bond Purchase Fund and the amounts held therein or earned thereon, whether in the form of cash, instruments, securities or other property. See “Sources of Payment and Security for the Bonds—Program Obligations,” “Program Obligations” and the definitions of Pledged Revenues and Program Obligations under “Summary of Certain Provisions of the Indenture—Certain Definitions.”

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

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

Program Obligations

For a description as of March 31, 2017, of the Mortgage Loans financed with proceeds of Bonds (the “Mortgage Loans”), see “Program Obligations—Mortgage Loans.”

Mortgage Loans are required by the General Indenture to be secured by first lien deeds of trust on single-family residences in the State and bear a fixed rate of interest for initial terms of not less than 15 years but not more than 30 years. The Mortgage Loans, including the 2007 Series A, B and D Mortgage Loans, consist of, conventional Mortgage Loans; Mortgage Loans subject to a guarantee of the United States Department of Veterans Affairs (formerly the

Veterans Administration; the “VA”), the United States Department of Housing and Urban Development (“HUD”), or Rural Development (“RD”; formerly the Farmers Home Administration of the United States Department of Agriculture); and Mortgage Loans insured by the Federal Housing Administration (“FHA”). The Mortgage Loans will be serviced by qualifying eligible servicing institutions, which generally are the originating institutions. See “Program Obligations.”

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

Debt Service Reserve Account

The General Indenture requires the Debt Service Reserve Account to be maintained in an amount (the “Debt Service Reserve Requirement”) at least equal to the sum of the Debt Service Reserve requirements established for each Series of Bonds Outstanding. The Debt Service Reserve requirement established for the Remarketed Bonds is an amount equal to 2% of the sum of (a) the outstanding principal balance of related 2007 Series A, B and D Mortgage Loans and (b) all other amounts on deposit in the related Series Account of the Program Obligation Fund, or such greater amount as may be fixed by a further Authorizing Indenture. See “Summary of Certain Provisions of the Indenture—Revenue Fund.”

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

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

At the election of the Corporation, any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on a Debt Service Payment Date shall either (i) be transferred to the related Series Account of the Revenue Fund or (ii) be withdrawn and paid over to the Corporation free and clear of the lien and pledge of the Indenture if the most recent Bond Coverage Certificate shows Bond Coverage after such withdrawal, provided that (a) all Debt Service on the Bonds then due shall have been paid on such Debt Service Payment Date and that all amounts then due from the Corporation or Trustee to the counterparties of any Hedging Instruments shall have been paid on such Debt Service Payment Date and (b) no such withdrawal may be made during any period when proceeds of any Series of Bonds are on deposit in the Program Obligation Fund and have not been either exchanged for Program Obligations or applied to the redemption of Bonds of such Series, nor for 60 days

following any such period. Any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on or after the fifth day following a Debt Service Payment Date will be transferred by the Trustee upon the direction of the Corporation to the related Series Account of the Revenue Fund.

Amounts on deposit in the Debt Service Reserve Account are to be invested in Investment Securities. As of March 31, 2017, the aggregate amount of investments on deposit in the Debt Service Reserve Account was approximately \$5.6 million, which amount was at least equal to the Debt Service Reserve Requirement on such date. The amount on deposit in the Debt Service Reserve Account will be at least equal to the Debt Service Reserve Requirement on the date of remarketing of the Remarketed Bonds. See “Summary of Certain Provisions of the Indenture—Revenue Fund.”

Loan Loss Fund

The General Indenture permits, but does not require, the establishment of Loan Loss Coverage with respect to a Series of Bonds in the related Authorizing Indenture. The Supplemental Indentures for the Bonds establish Loan Loss Coverage with respect to the Bonds, including the Remarketed Bonds, in the form of a Series Loan Loss Requirement. The Indenture requires that the Loan Loss Fund be maintained at all times in an amount equal to the sum of the Series Loan Loss Requirements, if any, established with respect to each Series of Bonds in the related Authorizing Indentures (the “Loan Loss Requirement”). The Series Loan Loss Requirements with respect to the Bonds are percentages of the Mortgage Loans, including the 2007 Series A, B and D Mortgage Loans, that are not covered by a mortgage pool insurance policy and that do not underlie Mortgage Certificates. (No Mortgage Loans are covered by a mortgage pool insurance policy or underlie Mortgage Certificates.) Such percentages are determined by the nature of the assets on deposit in the Loan Loss Fund and are based upon criteria established by the Rating Agencies, including criteria related to mortgage loan credit risk. The Supplemental Indentures for the Bonds each provide that the Corporation may revise the respective Series Loan Loss Requirement in any fashion upon confirmation from the Rating Agencies that such revision, in and of itself, will not adversely affect the then current Unenhanced Ratings assigned to the Bonds.

As of March 31, 2017, amounts on deposit in the Loan Loss Fund consisted of Mortgage Loans with an aggregate principal balance of approximately \$45.83 million, which amounts were in the aggregate at least equal to the Loan Loss Requirement as of such date. The amount on deposit in the Loan Loss Fund will be at least equal to the Loan Loss Requirement on the date of remarketing of the Remarketed Bonds. While amounts on deposit in the Loan Loss Fund are pledged under the Indenture, earnings and payments received with respect to such amounts do not constitute Pledged Revenues under the Indenture. The General Indenture permits, but does not require, Loan Loss Coverage in addition to any primary mortgage insurance covering Mortgage Loans for subsequent Series of Bonds.

If, on the third Business Day prior to any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay Debt Service payments on such Debt Service Payment Date, any deficiency will be satisfied with a transfer

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

Special Reserve Account

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

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

Bond Coverage Certificates

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

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

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

assurance can be given that the assumptions used in a Bond Coverage Certificate will in fact be realized.

Additional Bonds

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

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

THE LIQUIDITY FACILITY

General

The following description is a summary of certain provisions of the FHLB Liquidity Facility with respect to each Series and, as used in this section, the “FHLB Liquidity Facility” shall refer to the Liquidity Facility for the respective Series. Such summary does not purport to be a complete description or restatement of the material provisions of the FHLB Liquidity Facility. Investors should obtain and review a copy of the FHLB Liquidity Facility in order to understand all of the terms of that document. Capitalized terms used under the heading “THE LIQUIDITY FACILITY” and not otherwise defined herein shall have the meaning set forth in the FHLB Liquidity Facility. Information concerning the FHLB is set forth in Appendix G hereto and has been provided by the FHLB.

UNDER CERTAIN CIRCUMSTANCES DESCRIBED BELOW, THE OBLIGATION OF THE FHLB TO PURCHASE REMARKETED BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY THE FHLB. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE REMARKETED BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE FHLB LIQUIDITY FACILITY DOES NOT PROVIDED SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON UN-REMARKETED BONDS. THE FHLB LIQUIDITY FACILITY PROVIDES FOR THE PURCHASE OF UN-REMARKETED BONDS ONLY.

Certain Definitions

“Affiliate” means, with respect to a Person (as defined in the FHLB Liquidity Facility), any Person (whether for profit or not for profit), which “controls,” or is “controlled” by, or is under common “control” with such Person. For purposes of this definition, a Person “controls” another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract, or otherwise.

“Available Commitment” means on any day the sum of the Available Interest Commitment and the Available Principal Commitment on such day, initially \$79,625,000 for the 2007 Series A Bonds, initially \$79,625,000 for the 2007 Series B Bonds, and initially \$94,881,150 for the 2007 Series D Bonds.

“Available Interest Commitment” initially means \$4,625,000 for the 2007 Series A Bonds, initially means \$4,625,000 for the 2007 Series B Bonds, and initially means \$5,511,150 for the 2007 Series D Bonds, which initial amount equals 185 days’ interest on the initial amount of the Available Principal Commitment available for respective Series in a Covered Mode based upon, in the case of each Series, an assumed rate of interest of 12% per annum, computed on the basis of a year of 360 days, and actual days elapsed, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a), (b) or (c) of the definition in the FHLB Liquidity Facility of Available Principal Commitment, bears to the initial Available Principal Commitment and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (d) of the definition in the FHLB Liquidity Facility of Available Principal Commitment, bears to the initial Available Principal Commitment. Any adjustments to the Available Interest Commitment pursuant to clauses (a) or (b) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

“Available Principal Commitment” means, initially, the aggregate principal amount of the 2007 Series A Bonds Outstanding, \$75,000,000, the aggregate principal amount of the 2007 Series B Bonds Outstanding, \$75,000,000, and the aggregate principal amount of the 2007 Series D Bonds Outstanding, \$89,370,000, and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the FHLB Liquidity Facility (other than with respect to clause (c) of this definition); (b) downward by the principal amount of the applicable Remarketed Bonds for the purchase of which funds are made available by the FHLB to purchase such Remarketed Bonds pursuant to the FHLB Liquidity Facility; (c) downward by the principal amount of the applicable Remarketed Bonds of which the interest rate borne by such Remarketed Bonds has been converted or changed to a mode other than a Covered Mode or has been changed to a mode or rate not required by the applicable 2007 Series A, B and D Supplemental Indentures, to be supported by a Liquidity Facility or for which an Alternate Liquidity Facility (as defined in the applicable 2007 Series A, B and D Supplemental Indentures), a Non Conforming Liquidity Facility (as defined in the applicable 2007 Series A, B and D

Supplemental Indentures), or Self Liquidity (as defined in the applicable 2007 Series A, B and D Supplemental Indentures) has become effective; and (d) upward by the principal amount of any Remarketed Bonds theretofore purchased by the FHLB pursuant to the FHLB Liquidity Facility which are remarketed by the Remarketing Agent and for which the FHLB has received immediately available funds equal to the principal amount thereof and accrued interest thereon (or deemed to be remarketed pursuant to the FHLB Liquidity Facility); provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed \$75,000,000 for the 2007 Series A Bonds, \$75,000,000 for the 2007 Series B Bonds, and \$89,730,000 for the 2007 Series D Bonds. Any adjustments to the Available Principal Commitment pursuant to clause (a), (b) or (d) hereof shall occur simultaneously with the occurrence of the events described in such clauses. Any adjustments to the Available Principal Commitment pursuant to clause (c) hereof shall occur at 5:00 p.m. New York City time on the Business Day immediately following the occurrence of the events described in such clause.

“Covered Mode” means bonds that are paying interest in a Daily Mode Period, Weekly Mode Period, Monthly Mode Period, Quarterly Mode Period or Semiannual Mode Period.

“Default” means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or giving of notice, would constitute an event of default under the FHLB Liquidity Facility.

“Eligible Bonds” means Remarketed Bonds that bear interest at a Variable Rate during a Covered Mode and which are not Bank Bonds or Remarketed Bonds owned by or held on behalf of, for the benefit of, or for the account of, the Corporation or any Affiliate of the Corporation and which are supported by the FHLB Liquidity Facility.

“Investment Grade” means, with respect to a rating by Moody’s, a rating of “Baa3” (or its equivalent) or better, and, with respect to a rating by S&P and Fitch, a rating of “BBB” (or its equivalent) or better.

“Parity Debt” means (a) any bonds, notes, obligations or other evidence of indebtedness now or hereafter issued by, or on behalf of, the Corporation pursuant to the General Indenture, as supplemented from time to time, on a parity with the Remarketed Bonds and (b) any obligations of the Corporation under any interest rate hedging agreements in respect thereof, but only to the extent that such obligations are in respect of regularly scheduled payments which are payable on the same priority and on a parity basis with the Remarketed Bonds in accordance with the General Indenture.

“Related Documents” means the FHLB Liquidity Facility, the 2007 Series A, B and D Supplemental Indentures, the General Indenture, the Remarketing Statement (as defined in the FHLB Liquidity Facility and the Remarketing Agreement (as defined in the 2007 Series A, B and D Supplemental Indentures), as the same may be amended or modified from time to time in accordance with their terms and the terms of the FHLB Liquidity Facility.

“Indenture” means, collectively, the General Indenture and the 2007 Series A, B and D Supplemental Indentures.

“Variable Rate” means the rate of interest payable on any Outstanding 2007 Series A Bonds, 2007 Series B Bonds and 2007 Series D Bonds which are required by the terms of the applicable 2007 Series A, B and D Supplemental Indentures to be covered by a Liquidity Facility (which is not an Alternate Liquidity Facility, Non Conforming Liquidity Facility or Self Liquidity) during a Covered Mode.

The FHLB Liquidity Facility

General. The Corporation will execute the FHLB Liquidity Facility with the FHLB, the Trustee and the Tender Agent (the “Tender Agent”) on May 25, 2017. The FHLB Liquidity Facility requires the FHLB to provide funds for the purchase of the Remarketed Bonds outstanding as Eligible Bonds that have been tendered for purchase and not remarketed, subject to certain conditions described below. Any Remarketed Bond so purchased shall constitute Bank Bonds under the terms of the FHLB Liquidity Facility and the Indenture. Bank Bonds will bear interest at the Bank Rate, in accordance with the FHLB Liquidity Facility, payable as set forth in the FHLB Liquidity Facility.

Expiration of the FHLB Liquidity Facility. The FHLB is obligated to purchase the Remarketed Bonds which are Eligible Bonds pursuant to the FHLB Liquidity Facility from May 25, 2017 until the earliest to occur of the following dates and events (the “Commitment Period”): (1) the later of 5:00 p.m. New York City time on May 25, 2021, and 5:00 p.m. New York City time on the last day of any extension of such date pursuant to the FHLB Liquidity Facility (or if such date is not a Business Day, the Business Day next preceding such day) (the “Expiration Date”); (2) the first date on which no Eligible Bonds of the applicable Series are Outstanding; (3) 5:00 p.m. New York City time on the Business Day immediately following the first date on which the interest rate borne by any Remarketed Bond has been converted or changed to a rate other than a Covered Mode; (4) 5:00 p.m. New York City time on the thirtieth (30th) day following the date on which a “Notice of Termination Date” (defined below in paragraph (3) of “Remedies Upon Occurrence of an Event of Default”) is received by the Corporation, the Trustee and the Tender Agent or, if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day; (5) 5:00 p.m. New York City time on the Business Day immediately following the date on which an Alternate Liquidity Facility, a Non-Conforming Liquidity Facility or Self Liquidity (as defined in the applicable 2007 Series A, B and D Supplemental Indentures) has become effective with respect to all of the applicable Remarketed Bonds; (6) 30 days after the Corporation delivers a notice of voluntary termination of the FHLB Liquidity Facility (or immediately upon delivery of such notice if the FHLB has defaulted on any payment obligations under the FHLB Liquidity Facility), provided that the Corporation has made payment of all amounts owing to the FHLB under the FHLB Liquidity Facility; and (7) the occurrence of an event of default described under “Remedies Upon Occurrence of an Event of Default” that allows the FHLB to terminate its obligations under the FHLB Liquidity Facility.

In the event there is an occurrence of a “Termination Event” as described below, the obligation of the FHLB to purchase Remarketed Bonds immediately terminates without notice or demand to any person. In such event, holders of Remarketed Bonds will have no right to optionally tender the Remarketed Bonds and may be required to hold such Remarketed Bonds until the earlier of the redemption or maturity thereof.

Purchase of Eligible Bonds. On each Purchase Date on which the Remarketed Bonds which are Eligible Bonds are to be purchased by the Tender Agent, by no later than 12:30 p.m., New York City time, the Tender Agent shall give the FHLB notice by telecopier and in writing of the aggregate Purchase Price of the tendered Remarketed Bonds which are Eligible Bonds required to be purchased by the FHLB pursuant to the FHLB Liquidity Facility, and the amount of principal and interest constituting such Purchase Price. Upon receipt of the notice set forth above, the FHLB, unless it determines that its obligation to purchase pursuant to the FHLB Liquidity Facility has been suspended or terminated in accordance therewith, shall, by no later than 2:30 p.m., New York City time, on the same day (or not later than 2:30 p.m., New York City time, on the next Business Day if the FHLB receives such notice after 12:30 p.m. New York City time), make available to the Tender Agent, in immediately available funds, such Purchase Price, to be deposited in accordance with the Indenture. As soon as such funds become available, the Tender Agent is required to purchase therewith, for the account of the FHLB, that portion of the tendered Remarketed Bonds which are Eligible Bonds for the purchase of which immediately available funds are not otherwise then available for such purposes under the Indenture. Under the FHLB Liquidity Facility, the FHLB is obligated, with respect to the Remarketed Bonds which are Eligible Bonds and are Outstanding, to make available to the Tender Agent an amount equal to the Available Commitment.

Events of Default Under the FHLB Liquidity Facility. The following events constitute events of default under the FHLB Liquidity Facility.

(1) Any principal of, or interest on, any Remarketed Bond (including any Bank Bond) shall not be paid when due; or

(2) The Corporation shall fail to pay any commitment fee to the FHLB due under the FHLB Liquidity Facility within fifteen (15) days after the same shall become due; or

(3) Any representation or warranty made or deemed to be made to the FHLB by or on behalf of the Corporation in the FHLB Liquidity Facility or in any Related Document or in any certificate or statement delivered under the FHLB Liquidity Facility or under a Related Document shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The Corporation shall fail to observe or perform certain enumerated covenants, which shall constitute an event of default and without regard to any grace period; or

(5) (a) The Corporation shall default in the due performance or observance of any other term, covenant or agreement contained (or incorporated by reference) in the FHLB Liquidity Facility or there is a Default in the FHLB Liquidity Facility (other than those referred to in paragraphs (1) through (4) above) or (b) an event of default shall occur under any Related Documents (other than the Remarketing Statement) and in each case (a) and (b), such default shall remain unremedied for a period of thirty (30) days after the FHLB shall have given written notice thereof to the Corporation; or

(6) (a) The Corporation shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to

bankruptcy, insolvency, reorganization or relief of debtors seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Corporation shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Corporation any case, proceeding or other action of a nature referred to in clause (a) above which (i) results in an order for such relief or in the appointment of a receiver or similar official or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Corporation any case, proceeding or other action seeking issuance of a warrant of attachment, execution, rehabilitation, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) the Corporation shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Corporation admits in writing its inability to pay its debts in writing; or (f) a debt moratorium, restructuring, adjustment or comparable extraordinary restriction shall have been declared or announced (whether or not in writing) with respect to the Bonds or Parity Debt of the Corporation either: (i) by the Corporation or (ii) pursuant to a ruling or finding by the State of Iowa (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Corporation; or

(7) (a) Any provision of the Act, the FHLB Liquidity Facility, the Indenture, the Remarketed Bonds or any Parity Debt relating to the payment of the principal of or interest on the Remarketed Bonds (including any Bank Bonds) or any Parity Debt or the security therefor shall at any time and for any reason cease to be valid and binding on the Corporation as a result of (i) finding or ruling, (ii) enactment or adoption of legislation, (iii) issuance of an executive order or (iv) entry of a judgment or decree, in each instance, by a governmental agency having appropriate jurisdiction over the Corporation that such a provision is null and void, invalid or unenforceable; or (b) the Corporation shall have taken or permitted to be taken any official action which would adversely affect the enforceability of the FHLB Liquidity Facility, the Remarketed Bonds, the Act, the Indenture or any Parity Debt relating to the payment of the principal or interest on the Remarketed Bonds (including any Bank Bonds), or any Parity Debt or the security therefor or results in a repudiation of its obligation to pay the Remarketed Bonds (including any Bank Bonds); or (c) the Corporation (i) challenges the validity or enforceability of any provision of the FHLB Liquidity Facility, the Remarketed Bonds, the Act, the Indenture or any Parity Debt relating to or otherwise affecting (A) the ability or obligation to pay the principal of or interest on the Remarketed Bonds, the Bank Bonds or any Parity Debt or (B) the security available for repayment of the principal of or interest on the Remarketed Bonds, the Bank Bonds or any Parity Debt or (ii) seeks an adjudication that any provision of the FHLB Liquidity Facility, the Act, the Indenture, the Remarketed Bonds or any Parity Debt relating to or otherwise affecting (A) the Corporation's ability or obligation to pay the principal of or interest on the Remarketed Bonds, the Bank Bonds or any Parity Debt or (B) the security available for repayment of the principal of or interest on the Remarketed Bonds, the Bank Bonds or any Parity Debt is not valid and binding on the Corporation; or

(8) Each of Fitch, Moody's and S&P shall have (a) reduced the long term credit rating of the Remarketed Bonds or any unenhanced Parity Debt below Investment Grade; (b) withdrawn their long term ratings of the Remarketed Bonds or any unenhanced Parity Debt for any credit related reasons; or (c) suspended their long term ratings of the Remarketed Bonds or any unenhanced Parity Debt for any credit related reasons; or

(9) The Corporation shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Parity Debt, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Parity Debt, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any Parity Debt shall have been or, as a result of a payment default of any nature, may be accelerated or shall have been, or, as a result of a payment default of any nature, may be required to be prepaid prior to the stated maturity thereof; provided, there shall not be a default under this paragraph 9 if the failure to pay principal or interest on the Parity Debt is due solely to an acceleration of Parity Debt for any reason other than the failure to pay principal or interest on the Parity Debt; or

(10) A final nonappealable judgment or order for the payment of money that exceeds \$5,000,000 in aggregate shall have been rendered against the Corporation and shall be payable from or attach to the revenues or other monies pledged to the payment of the Remarketed Bonds under the Indenture, and such judgment or order shall not have been satisfied within 60 days from the date on which such judgment was rendered; or

(11) The issuance of a proposed determination by the Internal Revenue Service with respect to the Remarketed Bonds, which, if not terminated revoked or omitted, would adversely affect the exclusion from gross income of such interest on the Remarketed Bonds for purposes of the exemption of such interest from federal income taxes; or

(12) The Corporation's long term rating shall be downgraded below "BBB+" by S&P and Fitch and "Baa1" by Moody's, for a period of more than 30 days after the Liquidity Provider shall have given written notice thereof to the Corporation.

Remedies Upon Occurrence of an Event of Default. Following the occurrence of the above referenced events of default, the FHLB may take any one or more of the following actions.

(1) In the case of the occurrence of an event of default specified in paragraphs (1), (6)(a), (c) (d), (e) or (f), (7), (8), (9) or (10) above (each, a "Termination Event"), the FHLB's Available Commitment and the obligations of the FHLB under the FHLB Liquidity Facility to purchase the Remarketed Bonds which are Eligible Bonds shall immediately terminate without notice or demand to any Person and, thereafter, the FHLB shall be under no obligation to purchase the Remarketed Bonds which are Eligible Bonds, provided that an Event of Default described in paragraph (1) above will not qualify as a "Termination Event" under the FHLB Liquidity Facility if the failure to pay the principal of, or interest due, on a Bank Bond is due solely to an acceleration of all Bank Bonds for any reason other than as described in paragraph (1) above. Promptly upon such event of default, the FHLB shall give written notice of the same to the Corporation, the Trustee, the Tender Agent and the Remarketing Agent, provided

that the FHLB shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the FHLB's Available Commitment and the termination of the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds pursuant to the FHLB Liquidity Facility. The Corporation shall cause the Tender Agent to notify all Bondowners of the termination of the FHLB's Available Commitment and of the termination of the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds.

(2) In the case of the occurrence of a Default as specified in paragraph (6), clause (b)(i) or (b)(ii) above (each, a "Suspension Event"), the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds under the FHLB Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the FHLB shall be under no obligation to purchase Remarketed Bonds which are Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the FHLB shall give written notice of the same to the Corporation, the Trustee, the Tender Agent and the Remarketing Agent, provided that the FHLB shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or the suspension of its obligation to purchase Remarketed Bonds which are Eligible Bonds pursuant to the FHLB Liquidity Facility.

Upon the commencement against the Corporation of any involuntary case, proceeding or other action which has not yet resulted in an order for relief or in the appointment of a receiver or similar official as described in paragraph 6, clause (b)(i) above, the FHLB's obligations to purchase Remarketed Bonds which are Eligible Bonds under the FHLB Liquidity Facility shall immediately be suspended without notice or demand to any person and, thereafter, the FHLB shall be under no obligation to purchase Remarketed Bonds which are Eligible Bonds until such case, proceeding or other action referred to therein is terminated. In the event such case, proceeding or action is terminated, then the FHLB's obligations to purchase Remarketed Bonds which are Eligible Bonds under the FHLB Liquidity Facility shall be reinstated and the terms of such FHLB Liquidity Facility shall continue in full force and effect (unless the FHLB Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. Notwithstanding the foregoing, if three (3) years after the effective date of the suspension of the obligations of the FHLB as described in this paragraph, no order for relief has been issued or no receiver or similar official has been appointed, in either case, then the Available Commitment and the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds shall at such time terminate without notice or demand and, thereafter, the FHLB shall be under no obligation to purchase Remarketed Bonds which are Eligible Bonds.

Upon the occurrence of a Suspension Event described in paragraph 6, clause (b)(ii) above, the FHLB's obligations to purchase Remarketed Bonds which are Eligible Bonds shall remain suspended until the case, proceeding or other action referred to therein is either (i) terminated or (ii) sixty (60) days shall have elapsed from the commencement of such case, proceeding or action, whichever is the first to occur. In the event that said Suspension Event shall have been terminated within the sixty (60) day period described therein, then the Available Commitment and the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds shall be reinstated and the terms of the FHLB Liquidity Facility shall continue in full

force and effect (unless the FHLB Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. In the event that said Suspension Event shall not have been terminated within such sixty (60) day period, then the Available Commitment and the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds shall at such time terminate without notice or demand and, thereafter, the FHLB shall be under no obligation to purchase Remarketed Bonds which are Eligible Bonds.

In the case of each Suspension Event, the Tender Agent shall immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds. The Corporation shall cause the Tender Agent to notify all Bondholders of the suspension and/or termination of the Available Commitment and of the suspension and/or termination of the obligation of the FHLB to purchase Remarketed Bonds which are Eligible Bonds.

(3) In the case of the occurrence of any event of default described above (other than as specified in subsections (1) and (2) of this section entitled “Remedies Upon Occurrence of an Event of Default” above), the FHLB may give written notice of such event of default and termination of the FHLB Liquidity Facility (a “Notice of Termination Date”) to the Trustee, the Tender Agent, the Corporation, and the Remarketing Agent requesting a default tender of the Remarketed Bonds which are Eligible Bonds. The obligation of the FHLB to purchase the Remarketed Bonds which are Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Tender Agent and on such date the Available Commitment shall terminate and the FHLB shall be under no obligation under the FHLB Liquidity Facility to purchase Remarketed Bonds which are Eligible Bonds.

(4) Upon the occurrence of any event of default, the FHLB may declare all accrued and unpaid amounts payable to it under the FHLB Liquidity Facility immediately due and payable (other than payments of principal of and interest on Bank Bonds, and acceleration rights which are governed by the Indenture), and the FHLB shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, the FHLB agrees to purchase the Remarketed Bonds which are Eligible Bonds on the terms and conditions of the FHLB Liquidity Facility notwithstanding the occurrence of an event of default which does not terminate or suspend its obligation to purchase Remarketed Bonds which are Eligible Bonds under paragraphs (1), (2) or (3) above.

(5) The remedies described under paragraphs (1), (2), (3) and (4) above shall only be exclusive with respect to such events of default to the extent they are obtained by the FHLB. If, for any reason whatsoever, the FHLB is not able to obtain all such remedies, then the FHLB reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity or the FHLB Liquidity Facility.

Extension of Commitment Period. Upon written request of the Corporation to the FHLB, made not less than 90 days nor more than 120 days prior to the then current Expiration Date of the FHLB Liquidity Facility or at such other time as is acceptable to the FHLB, the then current Expiration Date of the FHLB Liquidity Facility may be extended from time to time by agreement in writing between the FHLB and the Corporation (the period from the preceding Expiration

Date to such new Expiration Date being herein sometimes called the “Extended Commitment Period”). The Extended Commitment Period may itself be extended in a like manner. The FHLB has no obligation to agree to any Extended Commitment Period. If the FHLB, in its sole discretion following such request by the Corporation, agrees to extend any such period, the FHLB shall give written notice of the election to extend to the Corporation, the Tender Agent and the Remarketing Agent within thirty (30) days of such request. If the FHLB does not so notify the Corporation, the Expiration Date for the FHLB Liquidity Facility shall not be extended. At the time of any extension, the FHLB may, in its sole discretion as a condition to such extension, require changes in the terms and conditions of the FHLB Liquidity Facility, including the Commitment Fees and any other fees payable under the FHLB Liquidity Facility, and the Bank Rate.

Alternate Liquidity Facility

The Corporation may elect to replace an FHLB Liquidity Facility with an Alternate Liquidity Facility. The Corporation shall notify the FHLB, the Trustee, the Remarketing Agent, and the Tender Agent of the Corporation’s intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery; promptly after receiving such notice from the Corporation, the Trustee shall so notify the affected Bondholders.

The Remarketed Bonds will be subject to mandatory tender in the event of the delivery of an Alternate Liquidity Facility. See “The Remarketed Bonds—Description of the Remarketed Bonds—Mandatory Tender.”

Self Liquidity or Other Forms of Liquidity

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

THE REMARKETED BONDS

General

The Remarketed Bonds are dated as set forth on the cover page. Remarketed Bonds bear interest at the Effective Rate determined by the applicable Remarketing Agent. The Remarketed Bonds will mature on the dates and in the amounts set forth on the cover page. The Remarketed Bonds initially will bear interest at a Weekly Rate. **THIS REMARKETING STATEMENT IS NOT INTENDED TO DESCRIBE REMARKETED BONDS THAT ARE NOT IN A WEEKLY MODE PERIOD.** Interest on the Remarketed Bonds will be payable on the dates set forth on the cover page. Interest accrued on the Remarketed Bonds during a Weekly Mode Period will be computed on the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. The Remarketed Bonds will be remarketed in the denominations set forth on the cover page.

Any Holder of Remarketed Bonds has the option of tendering the Bonds to the Tender Agent in accordance with the provisions of the 2007 Series A, B and D Supplemental Indentures as described under “Description of the Remarketed Bonds” below. Pursuant to each FHLB Liquidity Facility, the FHLB has the obligation to purchase, under certain conditions and from time to time, Remarketed Bonds of the applicable Series in a Weekly Mode tendered or deemed tendered to the Tender Agent, which tendered Remarketed Bonds are not remarketed. For additional information with respect to the Remarketed Bonds, see also Appendix F—“Certain Definitions with Respect to the Remarketed Bonds.”

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

The Remarketed Bonds are being remarketed 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 Remarketed Bonds. See “Book Entry Only” below.

Redemption Provisions

Sinking Fund Redemption

The Remarketed 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:

<u>Date</u>	<u>2007 Series A Term Bonds Maturing December 1, 2041</u>	<u>2007 Series B Term Bonds Maturing December 1, 2041</u>	<u>2007 Series D Term Bonds Maturing December 1, 2041</u>
June 1, 2017	\$ 765,000	\$ 765,000	\$ 925,000
December 1, 2017	780,000	780,000	950,000
June 1, 2018	810,000	810,000	960,000
December 1, 2018	830,000	830,000	995,000
June 1, 2019	850,000	850,000	1,005,000
December 1, 2019	870,000	870,000	1,035,000
June 1, 2020	895,000	895,000	1,060,000
December 1, 2020	915,000	915,000	1,085,000
June 1, 2021	935,000	935,000	1,115,000
December 1, 2021	960,000	960,000	1,140,000
June 1, 2022	985,000	985,000	1,180,000
December 1, 2022	1,010,000	1,010,000	1,200,000
June 1, 2023	1,035,000	1,035,000	1,240,000
December 1, 2023	1,060,000	1,060,000	1,260,000
June 1, 2024	1,085,000	1,085,000	1,295,000
December 1, 2024	1,115,000	1,115,000	1,330,000
June 1, 2025	1,140,000	1,140,000	1,365,000
December 1, 2025	1,170,000	1,170,000	1,390,000
June 1, 2026	1,200,000	1,200,000	1,435,000
December 1, 2026	1,230,000	1,230,000	1,465,000
June 1, 2027	1,265,000	1,265,000	1,505,000
December 1, 2027	1,290,000	1,290,000	1,545,000
June 1, 2028	1,325,000	1,325,000	1,580,000

<u>Date</u>	<u>2007 Series A Term Bonds Maturing December 1, 2041</u>	<u>2007 Series B Term Bonds Maturing December 1, 2041</u>	<u>2007 Series D Term Bonds Maturing December 1, 2041</u>
December 1, 2028	1,360,000	1,360,000	1,615,000
June 1, 2029	1,390,000	1,390,000	1,660,000
December 1, 2029	1,425,000	1,425,000	1,695,000
June 1, 2030	1,465,000	1,465,000	1,740,000
December 1, 2030	1,495,000	1,495,000	1,785,000
June 1, 2031	1,535,000	1,535,000	1,830,000
December 1, 2031	1,575,000	1,575,000	1,870,000
June 1, 2032	1,610,000	1,610,000	1,925,000
December 1, 2032	1,655,000	1,655,000	1,975,000
June 1, 2033	1,695,000	1,695,000	2,025,000
December 1, 2033	1,740,000	1,740,000	2,075,000
June 1, 2034	1,780,000	1,780,000	2,120,000
December 1, 2034	1,825,000	1,825,000	2,170,000
June 1, 2035	1,870,000	1,870,000	2,235,000
December 1, 2035	1,920,000	1,920,000	2,285,000
June 1, 2036	1,970,000	1,970,000	2,340,000
December 1, 2036	2,020,000	2,020,000	2,400,000
June 1, 2037	2,070,000	2,070,000	2,460,000
December 1, 2037	2,115,000	2,115,000	2,525,000
June 1, 2038	2,175,000	2,175,000	2,585,000
December 1, 2038	2,225,000	2,225,000	2,645,000
June 1, 2039	2,280,000	2,280,000	2,710,000
December 1, 2039	2,340,000	2,340,000	2,785,000
June 1, 2040	2,395,000	2,395,000	2,850,000
December 1, 2040	2,455,000	2,455,000	2,925,000
June 1, 2041	2,515,000	2,515,000	3,000,000
December 1, 2041	2,580,000 [†]	2,580,000	3,080,000

[†] Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund payments) of Remarketed Bonds of a maturity will be credited against future sinking fund payments for such maturity (i) on a reasonably proportionate basis or (ii) on such other basis as shall be directed by the Corporation in accordance with the Indenture.

ON JUNE 1, 2017, \$765,000 OF 2007 SERIES A BONDS, \$765,000 OF 2007 SERIES B BONDS AND \$925,000 OF 2007 SERIES D BONDS WILL BE SUBJECT TO REDEMPTION PURSUANT TO SINKING FUND PAYMENTS. ON OR AFTER MAY 26, 2017, NOTICE WILL BE GIVEN STATING THAT CERTAIN REMARKETED BONDS ARE SUBJECT TO SUCH REDEMPTION. PURCHASERS OF REMARKETED BONDS ARE DEEMED TO CONSENT TO THE TERMS OF SUCH NOTICE AND REDEMPTION ON JUNE 1, 2017.

Optional Redemption

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

Selection of Bonds for Redemption; Purchase in Lieu of Redemption

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

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

Notice of Redemption

Notice of the redemption, identifying the Remarketed 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 Remarketed Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee; **provided, however, that notice of the redemption from sinking fund payments on June 1, 2017 shall be given on or after May 26, 2017.** The 2007 Series A, B and D Supplemental Indentures provide that such notice also shall be given to the Remarketing Agent. Pursuant to the Indenture, neither failure to receive any redemption notice nor any defect in such redemption notice shall affect the sufficiency of the proceedings for such redemption and failure by the Trustee to deliver such notice of redemption of the Bonds at the times required in the Indenture shall not impair the ability of the Trustee and the Corporation to effect such redemption.

Description of the Remarketed Bonds

See Appendix F for the definitions of certain capitalized terms with respect to the Remarketed Bonds.

Interest on the Remarketed Bonds

The Remarketed Bonds will bear interest at the Weekly Rate determined by the applicable Remarketing Agent. Thereafter, Remarketed Bonds will bear interest, commencing on the Effective Rate Date (for Remarketed Bonds while in the Weekly Mode, each Thursday),

at the Weekly Rate determined by the applicable Remarketing Agent for the new Effective Rate Period. In no event shall the interest rate borne by such Remarketed 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 Remarketed Bonds on the Effective Rate Date being 100% of the principal amount thereof, and which will not exceed the Maximum Rate.

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

The determination by the Remarketing Agent of the Weekly Rate to be borne by the Remarketed Bonds shall be conclusive and binding on the Holders of such Remarketed Bonds and the other Notice Parties except as provided in the Indenture. Failure by any 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 Remarketed Bonds or the rights of the Holders thereof.

If the position of Remarketing Agent is vacant or the Remarketing Agent fails to act for any reason, the Remarketed Bonds will automatically bear interest in a Weekly Mode Period with the interest rate reset on a weekly basis at the lesser of (i) the SIFMA Index plus 0.25% or (ii) the Maximum Rate.

Optional Tender

Holders of the Remarketed Bonds in a Weekly Mode may elect to tender their Remarketed 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 Remarketed 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 Remarketed Bonds by the Holders thereof will be irrevocable once such notice is given to the Tender Agent (in which event the Tender Agent shall promptly notify the Remarketing Agent of receipt of such notice).

The Remarketed Bonds will be subject to mandatory tender for purchase as described below.

Corporation Not Responsible for the FHLB's Failure To Purchase Remarketed Bonds

Under the terms and provisions of the Remarketing Agreement and each FHLB Liquidity Facility, the purchase price of Remarketed Bonds of the applicable Series bearing interest at a Weekly Rate in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the Remarketed Bonds or from the applicable FHLB Liquidity Facility. **The Corporation is *not* responsible for any failure by the FHLB to purchase Remarketed Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2007 Series A, B and D Supplemental Indentures or upon the occurrence of an Event of Default under the applicable FHLB Liquidity Facility resulting in a Termination Event or Suspension Event (as defined in the applicable FHLB Liquidity Facility).**

Upon the occurrence of certain events of default under the applicable FHLB Liquidity Facility, the FHLB's obligation to purchase Remarketed Bonds under the applicable FHLB Liquidity Facility will immediately terminate or be suspended without notice or other action on the part of the FHLB. See "The Liquidity Facility" herein. The Corporation is *not* responsible for any failure by the FHLB to purchase Remarketed Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2007 Series A, B and D Supplemental Indentures upon the occurrence of any such event of default under the applicable FHLB Liquidity Facility.

In the event of a failure by the FHLB to purchase any Remarketed Bonds tendered or deemed tendered for purchase by the Holders thereof resulting from an Event of Default under the applicable FHLB Liquidity Facility, such Remarketed Bonds will automatically bear interest in a Weekly Mode Period with the interest rate reset on a weekly basis at the lesser of (i) the SIFMA Index plus 1.00% or (ii) the Maximum Rate. Bondholders will not have the right to tender their Remarketed Bonds during such period and may be required to hold their Remarketed Bonds to their respective maturities or prior redemption.

Mandatory Tender

The Remarketed Bonds are subject to mandatory tender for purchase (with no right to retain) (i) on each related Mode Change Date, (ii) with respect to a related Liquidity Expiration Event, on a date not less than five days prior to the scheduled expiration of the Liquidity Facility, (iii) on any related Conversion Date, and (iv) on each date specified by the Corporation in connection with the delivery of a related Alternate Liquidity Facility or Self Liquidity or Non-Conforming 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 related Holders and the Remarketing Agent stating the reason for the mandatory tender, the date of mandatory tender, and that all Holders of Remarketed Bonds subject to such mandatory tender will be deemed to have tendered their Remarketed Bonds upon such date.

Remarketing

On each date on which Remarketed Bonds are required to be purchased, the Remarketing Agent shall use its best efforts as described herein to sell such Remarketed 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 Remarketed Bonds so tendered, the FHLB will purchase such Bonds, subject to certain conditions, in accordance with the applicable FHLB Liquidity Facility. See “The Liquidity Facility.”

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its Remarketed Bond certificates. Any Remarketed 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 Remarketed 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. Remarketed Bond certificates will be issued in place of Untendered Bonds pursuant to the Indenture and, after the issuance of the replacement Remarketed 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 2007 Series A, B and D Supplemental Indentures provide that the Corporation has the option to Convert all or a portion of the Remarketed 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 Remarketed Bonds, the Trustee must deliver a notice to the Holders thereof and the Remarketing Agent specifying the Conversion Date, which Date shall be not less than 30 days following the receipt of such notice. No Fixed Interest Rates or Indexed Rate shall be established with respect to the Remarketed Bonds unless, on or before the Rate Determination Date therefor, a Counsel’s Opinion has been delivered to the Trustee to the effect that such Conversion to Fixed Interest Rates or an Indexed Rate, in and of itself, will not adversely affect the exclusion of interest on the related Remarketed Bonds from gross income for federal income tax purposes. Unless and until such conditions for Conversion are satisfied, the Remarketed Bonds shall continue to bear interest at the Effective Rate. Upon any Conversion to Fixed Interest Rates or an Indexed Rate, the Remarketed Bonds will be subject to mandatory tender for purchase.

Special Considerations Relating to the Remarketed 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 Remarketed 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 Remarketing 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 Remarketed Bonds.

The Remarketing Agent Routinely Purchases Bonds for Its Own Account

The Remarketing Agent is permitted, but not obligated, to purchase tendered bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered bonds for its own inventory in order to achieve a successful remarketing of the bonds (i.e., because there otherwise are not enough buyers to purchase the bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase bonds including the Remarketed Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Remarketed Bonds by routinely purchasing and selling Remarketed Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Remarketed Bonds. If the Remarketing Agent purchases Remarketed Bonds for its own account, it may offer those Remarketed Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Remarketed 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 Remarketed Bonds. The purchase of Remarketed Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Remarketed Bonds in the market than is actually the case. The practices described above also may reduce the supply of Remarketed Bonds that may be tendered in a remarketing.

Bonds May Be Offered at Different Prices on Any Date

The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Remarketed 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 Remarketed Bonds (including whether the Remarketing Agent is willing to purchase Remarketed Bonds for its own account). There may or may not be Remarketed Bonds tendered and remarketed on a Rate Determination Date. As an owner of Remarketed Bonds the Remarketing Agent may sell Remarketed 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 Remarketed Bonds at the remarketing price. In the event a Remarketing Agent owns any Remarketed Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Remarketed Bonds on any date, including the Effective Rate Date, at a discount to par to some investors.

The Ability to Sell the Remarketed Bonds Other Than through the Tender Process May Be Limited

While the Remarketing Agent may buy and sell Remarketed Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Remarketed Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Remarketed Bonds other than by tendering through the Tender Agent the Remarketed Bonds in accordance with the tender process.

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

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

Book Entry Only

General

The Remarketed Bonds will be remarketed as fully registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Remarketed Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Remarketing Statement, so long as all of the Remarketed Bonds are immobilized in the custody of DTC, references to holders or owners of Remarketed 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 Remarketing Agent takes responsibility for the accuracy or completeness thereof.

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and

pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 Remarketed Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Remarketed Bonds on DTC's records. The ownership interest of each actual purchaser of each Remarketed 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 Remarketed 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 Remarketed Bonds, except in the event that use of the book-entry system for the Remarketed Bonds is discontinued.

To facilitate subsequent transfers, all Remarketed 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 Remarketed 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 Remarketed Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Remarketed 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 Remarketed Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Remarketed Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Remarketed Bonds may wish to ascertain that the nominee holding the Remarketed 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 of the Remarketed 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 the Remarketed 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 the Remarketed 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 Remarketed 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 REMARKETED 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 REMARKETED 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 REMARKETED BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

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

book-entry credit of tendered Remarketed Bonds to Tender Agent or Remarketing Agent's DTC account.

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

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

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

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

PROGRAM OBLIGATIONS

Mortgage Loans

Mortgage Loans

As of March 31, 2017, there were Pledged Mortgage Loans with an outstanding aggregate principal balance of allocable to the Bonds with an outstanding aggregate principal balance of \$286,098,962, bearing interest at a weighted average yield to the Indenture of

approximately 4.787% per annum, with a weighted average mortgage loan coupon rate of approximately 4.328% per annum and a weighted average remaining term of 296 months.

The following table sets forth certain information as of March 31, 2017, regarding the type of primary mortgage insurance coverage originally applicable to the 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 Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Uninsured [†]	\$127,602,952	44.6%
FHA Insurance	32,574,632	11.4%
Private Mortgage Insurance	82,070,096	28.7%
RD Insurance	17,197,986	6.0%
VA Guarantee	10,646,181	3.7%
HUD 184 Insurance	<u>16,007,115</u>	<u>5.6%</u>
TOTAL	<u>\$286,098,962</u>	100.0%

[†] 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, 2017 regarding the type of dwellings securing Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	\$230,126,305	80.4%
Condominiums	35,363,819	12.4%
2-4 Unit Dwellings	20,035,606	7.0%
Other	<u>573,232</u>	<u>0.2%</u>
TOTAL	<u>\$286,098,962</u>	100.0%

The following table sets forth certain information as of March 31, 2017 regarding the location of the mortgaged property securing Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Anchorage	\$121,478,546	42.5%
Wasilla/Palmer	31,698,356	11.1%
Fairbanks/North Pole	24,931,198	8.7%
Juneau/Ketchikan	24,959,333	8.7%
Kenai/Soldotna/Homer	22,483,098	7.9%
Eagle River/Chugiak	12,839,107	4.5%
Kodiak	8,987,102	3.1%
Other	<u>38,722,222</u>	<u>13.5%</u>
TOTAL	<u>\$286,098,962</u>	100.0%

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 Mortgage Loans financed by the Remarketed Bonds conformed to such current 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. Assuming satisfaction of the requirements described below under “—Income Limits” and “—Purchase Price Requirements,” 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, with the exception of 2-4 unit properties located in rural “small community”, as defined by the State of Alaska, which allows for non-owner occupancy. A new first lien Mortgage Loan may not be financed with respect to a dwelling securing an outstanding first lien Mortgage Loan.

General Terms

Each Mortgage Loan must:

- (1) be serviced by a servicer approved by the Corporation (see “Program Obligations—Mortgage Servicing” below);
- (2) be secured by a first or second lien on real estate in fee simple or on a leasehold estate and (A) if a first lien, be subject only to permitted encumbrances, or (B) if a

second lien, be subject only to permitted encumbrances including a first-lien mortgage;

- (3) if the Mortgage Loan is secured by a first lien and if the loan to value ratio of the property exceeds 80%, be the subject of private mortgage insurance, federal insurance, or federal guarantee, with benefits in each case payable to the Corporation;
- (4) be for the purchase or refinancing of completed, owner occupied residential housing 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;
- (5) be insured by an American Land Title Association (ALTA) insurance policy 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; 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), and (5), 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 refinancing loan may not exceed the limits established by FNMA, FHLMC, FHA, VA, or RD for similar refinance loans.

Income Limits

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

Purchase Price Requirements on Tax-Exempt Programs

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

Loan Terms

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

Lender Qualification

The Corporation acquires the Mortgage Loans from its approved lenders (the "Lenders"). There are currently 25 Lenders approved by the Corporation. All of the Lenders must have an office in Alaska. The Corporation requires each Lender to provide audited financial statements and proof of insurance to the Corporation on an annual basis. Lenders must maintain policies of worker's compensation insurance (minimum coverage of \$100,000 per person per occurrence) and general liability insurance (minimum coverage of \$1,000,000 per occurrence), and a fidelity bond and errors and omissions insurance (coverage based on origination volume; minimum of \$300,000). The Corporation also performs annual audits of 10% of the loans purchased from each Lender during each year to assure compliance with program requirements.

Underwriting Process

Mortgage Loans undergo one of three underwriting processes: Full Underwriting process (1%), Program Compliance process (54%), or Delegated process (45%) 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 Full Underwriting process, the Corporation performs a full underwriting of the Mortgage Loan. The Corporation uses this process only for loans originated by regional housing authorities in the State and for the smallest lenders.

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

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

Mortgage Servicing

Prior to purchasing any Mortgage Loan, the Corporation requires the originating institution (which generally thereafter acts as the servicer (the "Servicer") to furnish to the Corporation the original mortgage note and copies of (i) the deed of trust, and (ii) a title insurance policy in an amount equal to the unpaid principal due on the Mortgage Loan. The Corporation also requires generally that all taxes, assessments and water and sewage charges have been duly paid and that a hazard insurance policy exist in an amount equal to the unpaid principal due on the mortgage. The Servicer services the mortgage loan for a fee, charged monthly at an annual rate. As compensation for servicing loans for the Corporation, the Servicer is paid servicing fees pursuant to the contractual agreements in place, 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 remarketing 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 technique during the various stages of delinquency to meet the goal of bringing delinquent Mortgage Loans current in the shortest time possible. The Servicer's 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 "Program Obligations—Primary Mortgage Insurance." The

Servicer is expected to encourage the curing of any default in scheduled mortgage payments, and is required to pay, from scheduled mortgage payments, taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, as they may become due.

All collected principal and interest payments on the Mortgage Loans are required to be deposited by the Servicer with a depository bank to be held in escrow for the Trustee. Such funds (net of applicable servicing fees) are remitted to the depository by the Servicer on the day following receipt when total collections of such Servicer equal or exceed \$5,000. Such funds are held in a custodial account and invested for the benefit of the Trustee pending their transfer once a month to the Trustee. Additional monthly payments on the Mortgage Loans, representing payments for such items as property taxes and mortgage insurance, are retained by the Servicer and applied as necessary.

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

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

Pledge of Mortgage Loans

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

Primary Mortgage Insurance

The following description of certain primary mortgage insurance and guarantees (relating to individual Mortgage Loans), 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 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 First Lien 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%. FHA insurance coverage and the HUD guarantee equal 100% of the outstanding principal balance of all FHA insured or HUD guaranteed Mortgage Loans. The maximum guarantee that may be issued by the VA is based on the size of the Mortgage Loan, as follows: (1) for a Mortgage Loan of not more than \$45,000, 50% of the original principal amount of the Mortgage Loan; (2) for a Mortgage Loan greater than \$45,000 but not more than \$56,250, \$22,500; (3) for a Mortgage Loan greater than \$56,250 but not more than \$144,000, the lesser of \$36,000 or 40% of the original principal amount of the Mortgage Loan; and (4) for a Mortgage Loan in excess of \$144,000, the lesser of the applicable “maximum guaranty amount” or 25% of the original principal amount of the Mortgage Loan. Such “maximum guaranty amount” generally is 25% of the Freddie Mac conforming loan limit (such limit is currently \$636,150 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 loan-to-values of 80% and 90% for Rural Programs of the lesser of the original appraised value of the mortgaged property or the original sale price of the mortgaged property and loan is current or (c) renovation of the property if the loan-to-value is 80% of the origination “as completed” appraised value and loan is current. 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. In general, primary mortgage insurance benefits, as limited by the amount of coverage indicated above, are based upon the unpaid principal, interest and advances, amount of the mortgage loan at the date of institution of foreclosure proceedings or the acquisition of the property after default, as the case may be, adjusted to reflect certain payments paid or received by the mortgage lender. Where property to be conveyed to an insurer has been damaged, it is generally required, as a condition to payment of an insurance claim, that such property be restored to its original condition (reasonable wear and tear excepted) by the mortgage lender prior to such conveyance or assignment.

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 Program Obligation Fund contain provisions which permit summary foreclosure. Following a default by the trustor, upon request of the beneficiary and not less than three months before the sale, the trustee must record a notice of default in the recording district in which the property is located. Within 10 days after recording the notice of default, the trustee must mail a copy of the notice of default to the trustor, any successors in interest to the trustor, anyone in possession or occupying the property, and anyone who has an interest subsequent to the interest of the trustee in the deed of trust. In addition to the mailed notice requirement, notice of sale of real property shall be published on an Internet website beginning at least 45 days before the date of the sale. 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 30 days before the day of sale and by publishing a copy of the notice four times, once a week for four successive weeks, in a newspaper of general circulation published nearest the place of sale. The sale must be made at public auction at a courthouse of the superior court in the judicial district where the property is located, unless the deed of trust provides for a different place. After the sale, an affidavit of mailing the notice of default and an affidavit of publication of the notice 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 foreclosure sale, any subsequent lien creditor can redeem the property. There can be as many redemptions as there are subsequent lien creditors. Upon expiration of the redemption period, the purchaser or redeemer is entitled to a 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; and the Corporation’s \$60,250,000 State Capital Project Bonds, 2002 Series C.

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. 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 the subheadings “Activities of the Corporation,” “Financial Results of Operations” and “Legislative Activity/Transfers to the State—Dividend to the State of Alaska” below was obtained from the March 2017 Mortgage and Bond Disclosure Report of the Corporation and the audited financial statements of the Corporation as of and for the year ended June 30, 2016. 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. Brent Levalley Chair	Senior Vice President Denali State Bank Fairbanks, Alaska
Mr. Haven Harris	Director Aleutian Pribilof Island Community Development Association Anchorage, Alaska
Ms. Carol Gore	President/CEO Cook Inlet Housing Authority Anchorage, Alaska
Mr. Alan Wilson	President Alaska Renovators, Inc. Juneau, Alaska
Mr. Randall Hoffbeck Commissioner Alaska Department of Revenue	Mr. Jerry Burnett (designee) Deputy Commissioner Alaska Department of Revenue Juneau, Alaska

<u>Name</u>	<u>Location</u>
Ms. Valerie Davidson Commissioner Alaska Department of Health and Social Services	Mr. Randall Burns (designee) Special Assistant to the Commissioner Alaska Department of Health and Social Services Juneau, Alaska
Mr. Chris Hladick Commissioner Alaska Department of Commerce, Community and Economic Development	Mr. Fred Parady (designee) Deputy Commissioner Alaska Department of Commerce, Community and Economic Development Juneau, Alaska

The following subcommittees 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: Accounting, Administrative Services, Audit, Budget, Construction, Finance, Governmental Relations and Public Affairs, Human Resources, Information Services, Mortgage, Planning, Public Housing, Research and Rural Development, Risk Management and Sourcing and Contract Compliance. Principal financial officers of the Corporation are as follows:

Bryan D. Butcher - Chief Executive Officer/Executive Director. Mr. Butcher rejoined the Corporation on August 7, 2013. Prior to his appointment as Chief Executive Officer/Executive Director, Mr. Butcher served as Commissioner of the Alaska Department of Revenue from January 2011 to August 2013, as the Corporation's director of governmental relations and public affairs from 2003 to 2011, and as a senior aide to the House and Senate Finance Committees of the Alaska Legislature for 12 years. Mr. Butcher holds a Bachelor of Science degree from the University of Oregon.

Mark Romick – Deputy Executive Director. Mr. Romick has been with the Corporation since July 1992 and previously served as the Director of Planning and Program Development. He previously worked for the Alaska State Housing Authority and the Alaska Housing Market Council. Mr. Romick holds a Master's degree in Economics from the University of Alaska.

Michael L. Strand - Chief Financial Officer/Finance Director. 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.

Gerard Deta - Senior Finance Officer. Mr. Deta has been with the Corporation since 2001, and previously served as Finance Officer and Financial Analyst II. Prior to joining the

Corporation, he served as an auditor with Deloitte & Touche LLP. Mr. Deta is 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 which 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, 2017:

Bond Series	Amount Outstanding	Liquidity Provider (or Self Liquidity)	Facility Expiration Date
Governmental Purpose Bonds, 1997 Series A	\$ 14,600,000	Self Liquidity	NA [†]
Governmental Purpose Bonds, 2001 Series A and B	105,370,000	Self Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2002 Series A	61,865,000	JPMorgan Chase Bank, N.A.	December 10, 2018
State Capital Project Bonds, 2002 Series C	34,910,000	Self Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2007 Series A, B and D	239,370,000	Landesbank Baden-Wurtemberg	May 30, 2017
Home Mortgage Revenue Bonds, 2009 Series A	80,880,000	The Bank of Tokyo Mitsubishi UFJ, Ltd.	June 28, 2019
Home Mortgage Revenue Bonds, 2009 Series B	80,880,000	Wells Fargo Bank, National Association	January 11, 2019
Home Mortgage Revenue Bonds, 2009 Series D	<u>80,870,000</u>	Bank of America, N.A.	August 24, 2017
	<u>\$698,745,000</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 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. The Corporation funds its Tax-Exempt First-Time Homebuyer Program with the proceeds of Mortgage Revenue Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Mortgage Revenue Bonds. Mortgage Revenue Bonds are also general obligations of the Corporation.

Home Mortgage Revenue Bonds. The Corporation funds its Rural and Taxable Programs with the proceeds of Home Mortgage Revenue Bonds. Mortgage loans and/or mortgage-backed securities are pledged as collateral for the Home Mortgage Revenue Bonds. Home Mortgage Revenue Bonds are also general obligations of the Corporation.

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

General Mortgage Revenue Bonds II. The Corporation issues General Mortgage Revenue Bonds II to finance the purchase of mortgage loans or to refund other obligations of the Corporation. Mortgage loans and other assets are pledged as collateral for the General Mortgage Revenue Bonds II. General Mortgage Revenue Bonds II 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 and State Capital Project Bonds II. The Corporation issues State Capital Project Bonds and State Capital Project Bonds II to finance designated capital projects of State agencies and the Corporation and to refund other obligations of the Corporation. State Capital Project Bonds and State Capital Project Bonds II 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 and State Capital Project Bonds II are general obligations of the Corporation.

The following tables set forth certain information as of March 31, 2017, regarding bonds issued under the above-described financing programs:

Bonds Issued and Remaining Outstanding by Program

Bond Program	Issued through 3/31/2017	Issued During Nine Months Ended 3/31/2017	Outstanding as of 3/31/2017
Home Mortgage Revenue Bonds	\$ 1,262,675,000	\$ 0	\$ 543,865,000
Mortgage Revenue Bonds [†]	1,449,010,353	0	239,395,000
State Capital Project Bonds	680,190,000	0	135,750,000
State Capital Project Bonds II	889,150,000	0	809,720,000
General Mortgage Revenue Bonds II	295,890,000	100,000,000	217,845,000
Governmental Purpose Bonds	973,170,000	0	119,970,000
Veterans Collateralized Bonds	1,950,385,000	50,000,000	50,000,000
Other Bonds	<u>10,937,173,769</u>	<u>0</u>	<u>0</u>
Total Bonds	<u>\$18,437,644,122</u>	<u>\$150,000,000</u>	<u>\$2,116,545,000</u>

[†] Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

Summary of Bonds Issued and Remaining Outstanding

	Issued through 3/31/2017	Issued During Nine Months Ended 3/31/2017	Outstanding as of 3/31/2017
Tax-Exempt Bonds	\$13,612,384,122 ^{††}	\$150,000,000	\$1,924,260,000
Taxable Bonds	<u>4,825,260,000</u>	<u>0</u>	<u>192,285,000</u>
Total Bonds	<u>\$ 18,437,644,122</u>	<u>\$150,000,000</u>	<u>\$2,116,545,000</u>
Self-Liquidity Bonds ^{††}	\$ 744,620,000	\$ 0	\$ 154,880,000

[†] Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

^{††} For information only. These amounts are already included in the categories above. Does not include Home Mortgage Revenue Bonds, 2009 Series A and 2009 Series B for which Self Liquidity by Corporation was replaced by third party liquidity facilities.

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.

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

TBA Markets. From time to time, in lieu of utilizing the proceeds of bond issuances to finance certain federally insured or guaranteed mortgage loans, the Corporation pools those mortgage loans into GNMA Mortgage-Backed Securities and sells the securities into the national TBA ("To Be Announced") future delivery market.

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.

In addition to the lending programs described below, the Corporation has committed to make a loan of up to \$127,540,000 for the construction and rehabilitation of rental housing on two United States Army bases in the State, Fort Wainwright and Fort Greely, bearing interest at a rate of 8% per annum and amortizing over a 40-year term, of which \$74 million has been funded, \$50 million on November 20, 2013, and \$23.9 million on July 29, 2016, with the remainder to be funded prior to the end of April 2018.

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 nonowner-occupied housing in small communities. The Rural interest rate is 1% below the calculated cost of funds 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 nonconforming 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, 2017, regarding the mortgage loans financed under the above-described lending programs:

Mortgage Purchases by Program

Loan Program	Original Principal Balance of Mortgage Loans Purchased During FY 2016	Original Principal Balance of Mortgage Loans Purchased During the Nine Months Ended 3/31/2017
Taxable Other	\$229,829,497	\$141,944,582
Tax-Exempt First-Time Homebuyer	71,374,764	55,786,027
Taxable First-Time Homebuyer	83,164,539	49,084,392
Multi-Family and Special Needs	46,001,152	54,465,010
Rural	58,014,512	45,711,799
Veterans Mortgage Program	<u>7,042,102</u>	<u>4,501,714</u>
Total Mortgage Purchases	<u>\$495,426,566</u>	<u>\$351,493,524</u>
Percentage of Original Principal Balance of Total Mortgage Purchases during Period Representing Streamline Refinance Loans	1.7%	1.8%

Mortgage Portfolio Summary

	As of 6/30/2016	As of 3/31/2017
Mortgages and Participation Loans	\$2,783,016,306	\$2,835,151,904
Real Estate Owned and Insurance Receivables	<u>7,889,189</u>	<u>6,826,462</u>
Total Mortgage Portfolio	<u>\$2,790,905,495</u>	<u>\$2,841,978,366</u>

Mortgage Insurance Summary[†]

Type	Outstanding Principal Balance as of 3/31/2017	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Uninsured ^{††}	\$1,424,339,744	50.2%
Private Mortgage Insurance ^{†††}	693,762,168	24.5%
Federally Insured – FHA	277,903,899	9.8%
Federally Insured – VA	160,645,762	5.7%
Federally Insured – RD	139,495,890	4.9%
Federally Insured – HUD 184	<u>139,004,441</u>	<u>4.9%</u>
TOTAL	\$2,835,151,904	100.0%

[†] 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.

PMI Provider	Outstanding Principal Balance as of 3/31/2017	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Radian Guaranty	\$223,924,418	7.9%
CMG Mortgage Insurance	145,249,396	5.1%
Mortgage Guaranty	105,961,337	3.7%
Essent Guaranty	110,174,672	3.9%
United Guaranty	60,617,292	2.1%
Genworth GE	40,565,828	1.4%
PMI Mortgage Insurance	5,249,895	0.2%
National Mortgage Insurance	1,291,227	0.0%
Commonwealth	<u>728,104</u>	<u>0.0%</u>
TOTAL	<u>\$693,762,169</u>	24.5%

Mortgage Delinquency and Foreclosure Summary

	As of 6/30/2016	As of 3/31/2017
Delinquent 30 Days	1.98%	1.66%
Delinquent 60 Days	0.65%	0.67%
Delinquent 90 Days or More	<u>1.07%</u>	<u>0.99%</u>
Total Mortgage Delinquency	3.70%	3.32%

	Twelve Months Ended 6/30/2016	Nine Months Ended 3/31/2017
Total Foreclosures	\$7,174,321	\$6,403,845

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 position of the Corporation for each of its five most recent fiscal years, which have been derived from Note 26 to the Corporation's audited annual financial statements dated June 30, 2016, contained in Appendix A — "Financial Statements of the Corporation."

**Summary of Revenues, Expenses and Changes in Net Position
(000s)**

	Fiscal Year Ended June 30				
	2016	2015	2014	2013	2012
Total Assets and Deferred Outflows	\$3,930,554	\$3,916,302	\$4,055,203	\$3,981,230	\$4,288,648
Total Liabilities and Deferred Inflows	2,431,021	2,430,821	2,545,295	2,455,702	2,734,505
Total Net Position	1,499,533	1,485,481	1,509,908	1,525,528	1,554,143
Total Operating Revenues	274,180	290,099	308,086	315,325	351,178
Total Operating Expenses	259,979	281,594	311,471	333,220	381,647
Operating Income (Loss)	14,201	8,505	(3,385)	(17,895)	(30,469)
Contribution to State or State agency	149	3,825	(1,380)	(10,720)	(9,207)
Special Item	0	0	0	0	0
Change in Net Position	\$ 14,052	\$ 4,680	\$ (4,765)	\$ (28,615)	\$ (39,676)

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 provided that the amount transferred by the Corporation to the State in fiscal years 2004, 2005, and 2006 would 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.

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

Under the 2003 Act, "adjusted change in net assets" means the change in net assets for a 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.

Dividend to the State of Alaska

Following are the details of the Corporation's dividend to the State as of June 30, 2016 (in thousands).

	Dividend Due to State	Expenditures	Remaining Commitments
State General Fund Transfers	\$ 789,698	\$ (788,948)	\$ 750
State Capital Projects Debt Service	434,866	(422,438)	12,428
State of Alaska Capital Projects	253,761	(249,159)	4,602
AHFC Capital Projects	<u>478,858</u>	<u>(450,775)</u>	<u>28,083</u>
Total	<u>\$1,957,183</u>	<u>\$(1,911,320)</u>	<u>\$45,863</u>

Corporation Budget Legislation

The Corporation's fiscal year 2017 operating budget was approved by the Legislature with a 3% reduction in corporate receipts from the amount submitted during the fiscal year 2016 legislative session. Consistent with the Transfer Plan, the enacted fiscal year 2017 operating budget provided \$25.9 million would be available from the adjusted change in net position 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 Remarketed Bonds, see “The Remarketed Bonds” and “Sources of Payment and Security for the Bonds.”

Certain Definitions (Section 102)

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

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

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

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

(i) assuming receipt of Scheduled Payments (but no prepayments not theretofore received) on any Mortgage Loan or mortgage loans represented by Mortgage Certificates;

(ii) assuming prepayment of 100% of the principal of, and payment of 100% of accrued interest on, all the Mortgage Loans and mortgage loans represented by all the Mortgage Certificates on the day after the date of certification; and

(iii) assuming receipt of Scheduled Payments to, and such 100% prepayment on, the day after the first Debt Service Payment Date on the Bonds following the date of certification.

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

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

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

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

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

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

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

"Hedging Instrument" means any interest rate, currency or cash-flow swap agreement, interest rate cap, floor or option agreement, forward payment conversion agreement, put, call or other agreement or instrument to hedge payment, interest rate, spread or similar exposure; which

in each case is designated by the Corporation as a Hedging Instrument under the Indenture. Each Hedging Instrument must meet the requirements of the Indenture therefor described below under “Power to Issue Bonds and Pledge Revenues and Other Property; Hedging Instruments.”

“*Insurance Policy*” means (i) a mortgage policy of title insurance, issued by a title insurance company qualified to do business in the State and acceptable to the Corporation, insuring the Corporation that the Mortgage on the premises is a valid and enforceable first mortgage, subject only to Permitted Encumbrances; (ii) a standard homeowner’s form of fire insurance with extended coverage policy; (iii) if the loan-to-value ratio of the mortgaged property exceeds 80%, but does not exceed 90%, private mortgage insurance covering 20% of the Mortgage or, if the loan-to-value ratio exceeds 90%, private mortgage insurance covering 25% of the Mortgage or, in either of such events, alternatively, Federal mortgage insurance or guaranty; and (iv) in the case of a Streamlined Mortgage Loan, private mortgage insurance to the extent required by the Corporation at the time such Streamlined Mortgage Loan was refinanced.

“*Interest Account*” means the Interest Account of the Revenue Fund.

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

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

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

- (a) direct obligations of, and obligations fully guaranteed as to full and timely payment of interest and principal by, the United States of America, or any agency or

instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

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

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

(d) 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 (i) any security described in paragraph (a) or (ii) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with any other bank or trust company (acting as principal) described in clause (ii) of paragraph (c) above;

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

(f) securities (i) which at the time of such investment have ratings from S&P, Moody's and Fitch (if rated by Fitch) at least equal to the highest ratings available from

such Rating Agencies for obligations similar to the Bonds; (ii) which evidence a debt of any state or municipal government of the United States or any agency, instrumentality, or public corporation thereof authorized to issue bonds on behalf thereof or any nonprofit corporation described in Revenue Ruling 63-20; and (iii) the interest on which is exempt from federal income taxation to the same extent that interest on the Bonds (other than Bonds issued as federally taxable bonds) is exempt from federal income taxation and is treated (or not treated) as a preference item to be included in calculating the alternative minimum tax imposed under the Code;

(g) money market funds that invest exclusively in securities described in paragraph (f) of this definition and have a rating of “Aaa” by Moody’s, “AAAm” or “AAAm G” by S&P and “AAA” by Fitch (if rated by Fitch);

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

(i) an Investment Agreement;

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

(k) any other investment of Rating Quality.

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

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

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

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

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

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

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

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

(d) be subject to an Insurance Policy.

“Mortgage Payment Assumptions” means and includes the following assumptions to be used by the Corporation in preparing each Bond Coverage Certificate: (1) payment lags from the first day of the month in which the Program Obligations are funded to the receipt date of (a) 50 days for each GNMA I Certificate and each Gold FHLMC PC held in the Program Obligation Fund, (b) 60 days for each GNMA II Certificate held in the Program Obligation Fund, (c) 60 days for each FNMA MBS held in the Program Obligation Fund, (d) 90 days for each Mortgage Loan which has not been converted to a Mortgage Certificate held in the Program Obligation Fund, and (e) with respect to other mortgage instruments as described in the definition of Program Obligations, the payment date set forth in the applicable Authorizing Indenture; (2) payment when due of applicable servicing and guarantee fees to GNMA, FNMA, and FHLMC; (3) use of money in the Program Obligation Fund prior to the completion of acquisition of Program Obligations to acquire Mortgage Loans that have not been converted to Mortgage Certificates; and (4) use of the money described in clause (3) hereof in the manner described in clause (3) hereof either on the last day of the acquisition period (if application of such money to such purpose prior to such last day would result in the receipt of funds during such period in excess of the amount required to provide timely payment of the principal of and interest on the Bonds during such period) or, otherwise, on the date of calculation.

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

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

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

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

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

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

“Pledged Revenues” means (i) all payments of principal of and interest on Program Obligations (other than Program Obligations in the Loan Loss Fund) immediately upon receipt thereof by the Corporation or any Depository or the Trustee (including payments representing prepayments of Mortgage Loans and any payments received from FNMA pursuant to its guarantee of the FNMA MBSs and from GNMA pursuant to its guarantee of the GNMA Certificates and from FHLMC pursuant to its guarantee of the FHLMC Certificates) and all other net proceeds of such Program Obligations; (ii) all amounts so designated by any Supplemental Indenture and required by such Supplemental Indenture to be deposited in the Revenue Fund; (iii) amounts received by the Corporation or the Trustee under any Hedging Instrument; and (iv) income or interest earned and gain realized in excess of losses suffered by a Fund other than the Loan Loss Fund, the Rebate Fund, and the Bond Purchase Fund as a result of the investment thereof; but Pledged Revenues do not include amounts derived from any Liquidity Facility.

“Principal Account” means the Principal Account of the Redemption Fund.

“Program” means the part of the program of the Corporation relating to the Bonds.

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

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

“Rating Agencies” means Moody’s, S&P and Fitch.

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

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

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

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

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

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

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

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

Indenture to Constitute a Contract (Section 203)

In consideration of the purchase and acceptance of the Secured Obligations by those who hold the same from time to time, the provisions of the Indenture will be a part of the contract of the Corporation with the holders of Secured Obligations and will be deemed to be and will constitute a contract among the Corporation, the Trustee and the holders from time to time of the Secured Obligations. The pledge effected by the Indenture and the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the Corporation will be

for the equal benefit, protection and security of the holders of any and all of such Secured Obligations, each of which will be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Indenture.

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

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

- (a) 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;
- (b) a copy of the Authorizing Indenture;
- (c) the amount of the proceeds of such Series and amounts from other sources to be deposited in any Fund or Account held by the Trustee pursuant to the Indenture;
- (d) except in the case of refunding Bonds, a certificate of an authorized officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;
- (e) a Bond Coverage Certificate;
- (f) a certificate of an authorized officer of the Corporation that the then-current ratings of the Outstanding Bonds will not be reduced by the issuance of the additional Bonds;
- (g) a written order as to the authentication and delivery of such Bonds signed by an Authorized Officer; and
- (h) such further requirements as set forth in the Indenture and any Supplemental Indenture.

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

Funds and Accounts (Section 501)

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

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

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

Program Obligation Fund (Section 502)

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

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

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

Revenue Fund (Section 503)

Immediately upon receipt of any Pledged Revenues (provided that amounts received in respect of any Hedging Instrument will be credited as specified in a Supplemental Indenture or an Authorized Officer's Certificate), the Trustee will deposit such Pledged Revenues in the applicable Series Account of the Revenue Fund, except that Restricted Mortgage Principal shall be deposited in the applicable Series Subaccount of the Restricted Mortgage Principal Account.

The Trustee will apply such Pledged Revenues, together with any excesses in the Debt Service Reserve Account or Loan Loss Fund transferred to the Revenue Fund as described in the last paragraph under this heading, as follows:

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

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

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

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

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

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

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

If at noon on the third Business Day prior to any Debt Service Payment Date the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay, or to reimburse the payment of, Debt Service Payments on such Debt Service Payment Date, any deficiency in each such Account will be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Loan Loss Fund. On any Debt Service Payment Date, funds on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement may be withdrawn and paid over to the Corporation free and clear of the lien and pledge of the Indenture if the Corporation has filed with the Trustee a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to such withdrawal, provided, that all Debt Service Payments on the Bonds then due have been paid on such Debt Service Payment Date, and that all Authorized Hedging Payments then due from the Corporation or the Trustee to the counterparties under any Hedging Instruments have been paid on such Debt Service Payment Date; and provided, further, that no such withdrawal may be made (i) while proceeds of any Series are on deposit in the Program Obligation Fund and have not been either exchanged for Program Obligations or applied to the redemption of Bonds of such Series or (ii) for 60 days following any period described in (i); and provided, further, that no such funds derived from the proceeds of tax-exempt Bonds may be so released without a Counsel’s Opinion to the effect that such release will not adversely affect the tax-exemption of interest on the tax-exempt Bonds from which such funds were derived. Any amounts remaining in the Debt Service Reserve Account five days after each following Debt Service Payment Date in excess of the Debt Service Reserve Requirement will be transferred by the Trustee to the Account or Accounts of the Revenue Fund for the related Series of Bonds. On future Debt Service Payment Dates, the Trustee will, at the direction of the Corporation, transfer any amounts in the Debt Service Reserve Account that are in excess of the Debt Service Reserve Requirement to the Series Account or Accounts of the Revenue Fund for the related Series of Bonds.

Redemption Fund (Section 504)

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

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

related Series of Bonds on the applicable principal payment date; and (ii) to the counterparty of any Hedging Instrument, Authorized Hedging Payments due under such Hedging Instrument during the related current Interest Payment Period;

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

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

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

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

Notwithstanding the foregoing, if amounts in any Series Subaccount of the Interest Account or the Principal Account are not adequate to pay interest or principal (including Sinking Fund Installments) due with respect to the applicable Series of Bonds or any Authorized Hedging Payments required to be made by the Corporation or the Trustee to a counterparty under a related Hedging Instrument, amounts will be withdrawn from one or more Series Accounts of the Revenue Fund or the Redemption Fund to pay such interest or principal or required payments.

Such transfers will be made in accordance with the directions of the Corporation or if no such direction is given from any Series Account of the Revenue Fund or the Redemption Fund. All such transfers will be made before any transfers of Pledged Revenues to the Operating Account or the General Account.

Rebate Fund (Section 505)

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

Bond Purchase Fund (Section 506)

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

Loan Loss Fund (Section 507)

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

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

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

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

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

Investments (Sections 513 and 515)

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

The Corporation is required to furnish the Trustee with written investment instructions. In the absence of such instructions, the Trustee is required to invest in those Investment Securities described in clause (j) of the definition of Investment Securities so that the moneys in said Funds and Accounts will mature as nearly as practicable with times at which moneys are needed for payment of principal or interest on the Bonds. Except as otherwise provided in the Indenture, the income or interest earned and gains realized in excess of losses suffered by a Fund, other than the Loan Loss Fund, the Bond Purchase Fund and the Rebate Fund, due to the investment thereof will be deposited as Pledged Revenues in the Revenue Fund, unless otherwise directed by the Corporation. The Trustee is required to advise the Corporation on a monthly basis of the details of all deposits and Investment Securities held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month. The Trustee may act as principal or agent in the acquisition or disposition of any Investment Securities. The Trustee may purchase Investment Securities from (i) any lawful seller, including itself, (ii) other funds of the Corporation, and (iii) other funds established by resolution, indenture or agreement of the Corporation (including resolutions providing for issuance of obligations); provided, however, that the Trustee is not permitted to purchase Investment Securities at an above-market price or a below-market yield. The Trustee may, at its sole discretion, commingle any of the Funds and Accounts established pursuant to the Indenture into a separate fund or funds for

investment purposes only; provided, however, that all Funds and Accounts held by the Trustee under the Indenture will be accounted for separately notwithstanding such commingling. The Corporation may not direct the Trustee to purchase any Investment Securities (other than an Investment Agreement) maturing on a date later than the earlier of six months following the date of purchase or the next Debt Service Payment Date, with the exception of investments made in the Loan Loss Fund, unless the Corporation has delivered a Bond Coverage Certificate to the Trustee. In computing the amount in any Fund, obligations purchased as an investment of moneys therein will be valued at par if purchased at their par value or at amortized value if purchased at other than their par value. The Trustee will sell at market price, or present for redemption, any obligation so purchased as an investment whenever it is requested in writing by an authorized officer of the Corporation to do so or whenever it is necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. The Trustee will not be liable for any loss resulting from the acquisition or disposition of any Investment Securities, except for any such loss resulting from its own negligence or willful misconduct.

Investment Agreements (Section 514)

If the Corporation so directs the Trustee in writing, the Corporation and the Trustee will execute and deliver, as of the date of delivery of a Series of Bonds, or at such other time determined by the Corporation, one or more Investment Agreements and the Trustee will deposit on such date (i) amounts in the Debt Service Reserve Account under an Investment Agreement providing for investment of such amounts and permitting withdrawals on or before Debt Service Payment Dates and (ii) amounts in the Program Obligation Fund and amounts in the Interest Account under an Investment Agreement providing for investment of such amounts and permitting withdrawals as necessary under the terms of the Indenture and the Authorizing Indenture. After the date of issuance and delivery of the Bonds, moneys deposited from time to time in the Revenue Fund (other than moneys transferred from the Redemption Fund to the Debt Service Reserve Account to bring the balance therein to the Debt Service Reserve Requirement), the Redemption Fund and the Program Obligation Fund and available for temporary investment will be deposited by the Trustee under an Investment Agreement providing for investment of such amounts and permitting withdrawals as necessary under the terms of the Indenture and the Authorizing Indenture.

No Limitation on Additional Collateral Contributions (Section 516)

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

Payment of Bonds (Section 701)

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

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

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

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

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

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

Tax Covenants (Section 706)

The Corporation covenants to:

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

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

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

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

Accounts and Reports (Section 707)

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

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

Sale of Program Obligations (Section 709)

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

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

Supplemental Indentures Effective Upon Filing With Trustee

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

- (a) provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on the issuance of evidences of indebtedness,
- (b) add to the covenants, agreements, limitations and restrictions observed by the Corporation in the Indenture other covenants, agreements, limitations and restrictions

to be observed by the Corporation which are not contrary to or inconsistent with the Indenture and which are not materially adverse to the interests of any Liquidity Provider,

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

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

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

(f) modify any of the provisions of the Indenture in any respect whatsoever, provided that (i) such modification does not materially adversely affect any owner of Bonds or (ii) such modification is, and is expressed to be, effective only after all Bonds Outstanding at the date of adoption of such Supplemental Indenture cease to be Outstanding or (iii) such modification is, and is expressed to be, applicable only to Bonds issued on or after the date of the adoption of such Supplemental Indenture, or

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

Supplemental Indentures Effective Upon Consent of Trustee

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

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

(b) 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

- (c) provide for additional duties of the Trustee.

Supplemental Indentures Effective Upon Consent of Owners of Bonds

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

Events of Default (Section 1002)

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

- (a) the Corporation defaults in the payment of the principal or redemption price of any Bond when and as the same has become due, whether at maturity or upon call for redemption or otherwise;
- (b) payment of any installment of interest on any Bond has not been made after the same has become due; and
- (c) the Corporation fails to comply with the provisions of the Indenture or any Supplemental Indenture or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, other than payment of the Trustee’s fees, and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds.

Remedies (Section 1003)

Upon the happening and continuance of any Event of Default specified in clauses (a) or (b) of “Events of Default” above, the Trustee is required to proceed, or upon the happening and continuance of any Event of Default specified in clause (c) of “Events of Default” above, the Trustee may proceed, and upon the written request of any Liquidity Provider or the holders of not less than 25% in principal amount of all Bonds Outstanding (but subject to the right of a holder of a majority in principal amount of the Bonds then Outstanding as described under “Bondholders’ Direction of Proceedings” to overrule such holders) is required to proceed, in its own name, subject to the terms of the Indenture, to protect and enforce its rights and the rights of the owners of all Bonds, by such of the following remedies as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of said owners, including the right to require the Corporation to receive and collect revenues and assets adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with holders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the

Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults are made good, then, with the written consent of each Liquidity Provider and the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event the Bonds are declared due and payable by selling Program Obligations for the benefit of the owners of the Bonds.

Priority of Payments after Default (Section 1004)

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

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

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

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

Whenever moneys are to be applied by the Trustee pursuant to the above-described provisions, such moneys are required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, and the Trustee will incur no liability whatsoever to the Corporation, to any owner of Bonds or to any other person (including any Beneficial Owners) for any delay in applying any such moneys, so long as the Trustee acts with

reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee.

Bondholders' Direction of Proceedings (Section 1006)

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

Limitation on Rights of Bondholders (Section 1007)

No holder of any Bond has any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture or any right under the law, unless such holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which suit, action or proceeding is to be taken, unless a Liquidity Provider or the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request upon the Trustee after the right to exercise such powers or right of action, as the case may be, has occurred, and have afforded the Trustee 60 days either to proceed to exercise the power granted by the Indenture or granted under the law or to institute such action, suit or proceeding, in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within 60 days; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or under law. No one or more holders of the Bonds will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all holders of Outstanding Bonds. Nothing contained in the Indenture will affect or impair the right of any holder to enforce the payment of the principal or redemption price, if any, of and interest on the Bonds, or the obligation of the Corporation to pay the principal or redemption price, if any, of and interest on each Bond issued under the Indenture to the holder thereof at the time and place specified in said Bond.

Notwithstanding anything to the contrary contained in the Indenture, each holder of any Bond by acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture or 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

described in this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by any holder of Bonds, or group of holders of Bonds, holding at least 25% in principal amount of the Bonds then Outstanding, or to any suit instituted by any holder for the enforcement of the payment of the principal or redemption price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Trustee (Sections 1104, 1107 and 1108)

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

Defeasance (Section 1201)

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

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

if not then needed for such purpose, will, to the extent practicable, be reinvested in obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Liquidity Providers (Section 1203)

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

Legal Holidays (Section 1207)

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

Governing Law (Section 1208)

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

TAX MATTERS

Opinions of Bond Counsel and Special Tax Counsel

The opinions of Birch, Horton, Bittner and Cherot, as bond counsel on the date of original issuance of the Remarketed Bonds, and Kutak Rock LLP, as Special Tax Counsel, delivered on the date of original issuance of the Remarketed Bonds, stated that, assuming compliance with certain covenants which are designed to meet the requirements of the Code with respect to each of the 2006B/2007A Composite Issue, the 2006C/2007B Composite Issue and the 2007C/2007D Composite Issue (each of which Composite Issue may be considered as a separate “issue” for certain purposes under the provisions of the Code), under existing laws, regulations, rulings and judicial decisions, (i) interest on the Remarketed Bonds is excluded from gross income for Federal income tax purposes and (ii) interest on the Remarketed 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 Remarketed 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 Birch, Horton, Bittner and Cherot, as bond counsel, delivered on the date of original issuance of the Remarketed Bonds, interest on the Remarketed 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).

On the Remarketing Date, the Law Office of Kenneth E. Vassar, LLC, as Bond Counsel, and Kutak Rock LLP, as Special Tax Counsel, will deliver their opinions that, under existing laws, regulations, rulings and judicial decisions, delivery of the applicable FHLB Liquidity Facility with respect to the Remarketed Bonds on the Remarketing Date will not, in and of itself, adversely affect the exclusion of interest on the Remarketed Bonds from gross income for federal income tax purposes.

General

The requirements of applicable Federal tax law must be satisfied with respect to each of the 2006B/2007A Composite Issue, the 2006C/2007B Composite Issue and the 2007C/2007D Composite Issue in order that interest on the 2007 Series A Bonds, the 2007 Series B Bonds and the 2007 Series D Bonds, respectively, not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Code provides that interest on obligations of a governmental unit such as the Corporation issued to finance, or to refund bonds issued to finance, single family residences for first-time homebuyers (such as the additional bonds that comprised the Composite Issue, i.e., the 2006 Series B Bonds, the 2006 Series C Bonds and the 2007 Series C Bonds, respectively, which are no longer Outstanding) are not included in gross income for Federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations and the use of the funds generated by the issuance of the obligations, the nature of the residences and the mortgages, and the eligibility of the borrowers executing the mortgages. Such requirements generally do not apply to the Mortgage Loans refinanced by the 2007 Series A Bonds, the 2007 Series B Bonds and the 2007 Series D Bonds as a result of transition rules in various federal tax laws adopted since 1980.

Certain Requirements Imposed by the Code

The Code requires that the effective interest rate on mortgage loans financed with the lendable proceeds of qualified mortgage bonds (such as the 2006 Series B Bonds, the 2006 Series C Bonds and the 2007 Series C Bonds, which are no longer Outstanding) may not exceed the yield on the related Composite Issue (i.e., the 2006B/2007A Composite Issue, the 2006C/2007B Composite Issue and the 2007C/2007D Composite Issue, respectively) by more than 1.125%, and the effective interest rate on the mortgage loans collectively financed by each

of the Composite Issues may not exceed the yield of such Composite Issue by more than 1.50%. With respect to each Composite Issue, the Code requires that certain investment earnings on nonmortgage investments, calculated based upon the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were invested at a yield equal to the yield on the respective Composite Issue, be rebated to the United States. The Corporation has covenanted to comply with these requirements and has established procedures to determine the amount of excess earnings, if any, that must be rebated to the United States.

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 Remarketed Bonds (and the Composite Issues), including compliance with restrictions on the yield of mortgage loans and nonmortgage investments and periodic rebate payments to the Federal government, as well as restrictions on the type of Mortgage Loans financed. The Corporation has delivered concurrently and in connection with the delivery of each of the 2006 Series B Bonds, the 2006 Series C Bonds and the 2007 Series C Bonds and the Remarketed Bonds, a Tax Regulatory Agreement and No Arbitrage Certificate which contains provisions and procedures relating to compliance with such requirements of the Code, and the Corporation has included provisions in the Program Documents that establish procedures, including receipt of certain affidavits and warranties from Mortgage Lenders and mortgagors, in order to assure compliance with the loan eligibility requirements and other requirements that must be satisfied subsequent to the date of issuance of each of the respective Composite Issues. 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 Remarketed Bonds (and the Composite Issues) 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 affected Composite Issue being included in gross income for Federal income tax purposes from the date of issuance of the related 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 Composite Issues may affect the tax status of interest thereon.

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 Remarketed Bonds and the Composite Issues 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. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Remarketed Bonds and the Composite Issues from gross income

for Federal income tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Certain Additional Tax Consequences

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

Although Birch, Horton, Bittner and Cherot, as bond counsel on the date of original issuance of the Remarketed Bonds, and Kutak Rock LLP, as Special Tax Counsel, each rendered an opinion on the date of original issuance of the Remarketed Bonds that interest on the Remarketed Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the Remarketed Bonds, or the related Composite Issue, 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. Birch, Horton, Bittner and Cherot, as bond counsel on the date of original issuance of the Remarketed Bonds, and Kutak Rock LLP, as Special Tax Counsel, have expressed no opinion regarding any such consequences. Purchasers of the Remarketed 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 Remarketed Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the Federal tax matters referred to above or adversely affect the market value of the Remarketed Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Remarketed Bonds should consult his or her own tax advisor regarding any pending or proposed Federal tax legislation. Bond Counsel and Special Tax Counsel express no opinion regarding any pending or proposed Federal tax legislation. The opinions delivered by Birch, Horton, Bittner and Cherot, as bond counsel on the date of original issuance of the Remarketed Bonds, and Kutak Rock LLP, as Special Tax Counsel, were based upon then-existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinions, and Birch, Horton, Bittner and Cherot, as bond counsel on the date of original issuance of the Remarketed Bonds, and Kutak Rock LLP, as Special Tax Counsel, have expressed no opinions as of any date subsequent thereto with respect to any pending legislation, regulatory initiatives or litigation.

RATINGS

S&P is expected to assign the Remarketed Bonds a rating of “AA+/A-1+” and Fitch is expected to assign the Remarketed Bonds a rating of “AA+/F1+”. The assignment of such ratings by S&P and Fitch with respect to the Remarketed Bonds is conditioned upon the effectiveness of each FHLB Liquidity Facility at the time of remarketing of the Remarketed 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 Remarketed Bonds.

FINANCIAL STATEMENTS

The Corporation’s financial statements as of and for the year ended June 30, 2016 included in Appendix A to this Remarketing Statement, have been audited by BDO USA, LLP, independent auditors, as stated in their report appearing herein.

LITIGATION

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

LEGAL MATTERS

At the time of original issuance of the Remarketed Bonds, all legal matters incident to the authorization, sale and delivery of the Remarketed Bonds and certain Federal and state tax matters were subject to the approval of Birch, Horton, Bittner and Cherot, and certain federal tax matters were passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. On the Remarketing Date, the Law Office of Kenneth E. Vassar, LLC, as Bond Counsel, and Kutak Rock LLP, as Special Tax Counsel, will deliver opinions to the effect that, under existing laws, the delivery of the applicable FHLB Liquidity Facility with respect to the Remarketed Bonds on the Remarketing Date will not, in and of itself, adversely affect the exclusion of interest on the Remarketed Bonds from gross income for federal income tax purposes. Certain legal matters will be passed on for the FHLB by its counsel, Brown, Winick, Graves, Gross, Baskerville and Schoenebaum, P.L.C.

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 Remarketed 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 Remarketed Bonds.

REMARKETING

Each Remarketing Agent has agreed with the Corporation, subject to the terms and provisions of the applicable Remarketing Agreement, that the Remarketing Agent will use its best efforts, as remarketing agent, to solicit purchases from potential investors of the applicable Series of Remarketed Bonds.

Each Remarketing Agent and its respective affiliates are full service financial institutions 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 Remarketing Agent and its respective affiliates may have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Remarketing Agent and its respective 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.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC, member NYSE, FINRA, NFA, and SIPC.

Wells Fargo Securities, LLC (“WFS”), as remarketing agent for the 2007 Series D Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”) for the distribution of certain municipal securities offerings, including the Remarketed Bonds. Pursuant to the WFA Distribution Agreement, WFS will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2017 Series D Bonds with WFA. WFS has also entered into an agreement (the “WFBNA Distribution Agreement”) with its affiliate, Wells Fargo Bank, N.A. acting through its Municipal Products Group (“WFBNA”), for the distribution of municipal securities offerings, including the Remarketed Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFS, and WFA are each wholly owned subsidiaries of Wells Fargo & Company.

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

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation in connection with the remarketing of the Remarketed Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Remarketed Bonds is contingent upon the remarketing and delivery of the Remarketed 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 Remarketed 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 Remarketing Statement: The Financial Advisor has reviewed the information in this Remarketing 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 Remarketing 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 Remarketing 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 Remarketed Bonds, the Indenture, each FHLB Liquidity Facility 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, each FHLB Liquidity Facility 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. The information in Appendix G has been provided by the FHLB.

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

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APPENDIX A
FINANCIAL STATEMENTS OF THE CORPORATION

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a component unit of the State of Alaska

Financial Statements
And Independent Auditor's Report

June 30, 2016

With Summarized Financial Information for
June 30, 2015

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This publication of Alaska Housing Finance Corporation. For comments or questions

Website: <http://www.ahfc.us/financials/financials.cfm> or

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Independent Auditor's Report

Board of Directors
Alaska Housing Finance Corporation
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying statements of net position, revenues, expenses and change in net position and cash flows of each major fund and the aggregate remaining fund information of the Alaska Housing Finance Corporation (Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Alaska Housing Finance Corporation, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 and the schedules of net pension liability, and pension contributions on pages 39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alaska Housing Finance Corporation's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the Alaska Housing Finance 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alaska Housing Finance Corporation's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of the Alaska Housing Finance Corporation (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 rules. 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 Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows, and the Notes to Financial Statements. These statements are presented for all of the Corporation's operations and grouped by program or function. Summarized financial information for fiscal year 2016 is also presented in Management's Discussion and Analysis 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 for the fiscal year ended June 30, 2016. This information is 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 Position (Exhibit A)* helps answer the question: "How is the Corporation's financial health at the end of the year?" The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Corporation, both financial and capital, short-term and long-term. It uses the accrual basis of accounting and economic resources measurement focus. The accrual basis of accounting is used by most private-sector companies. The resulting net position presented in the Statement of Net Position is characterized as restricted or unrestricted. Assets are restricted when their use is subject to external limits or rules such as bond resolutions, legal agreements, or statutes. Assets not included in this category are characterized as unrestricted. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or declining.

The *Statement of Revenues, Expenses and Changes in Net Position (Exhibit B)* measures the activities of the Corporation's operations over the past year and presents the operating income or (loss) and change in net position. It can be used to determine whether the Corporation has successfully recovered all of its expenses through mortgage and loan interest, investment interest, externally funded programs and other revenue sources. The Statement of Revenues, Expenses and Changes in Net Position helps answer the question: "Is the Corporation as a whole better 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 operations, non-capital and 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 the 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 Basic Financial Statements. The *Notes to Financial Statements* follow *Exhibit C*.

Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

In fiscal year 2016, the Home Ownership Fund, which had previously been reported with the Administrative Fund in Revolving Funds, was moved to Other Funds or Programs. Likewise, the Senior Revolving Housing Loan Fund,

MANAGEMENT'S DISCUSSION AND ANALYSIS

which was previously included in the Mortgage or Bond Funds, was also moved to Other Funds or Programs. All comparisons between fiscal years 2016 and 2015 in this document have taken this into consideration by adjusting the originally reported 2015 amounts for these reclassifications.

For fiscal year 2016, 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 of Alaska and debt service payments for debt issued on behalf of the State.

As of June 30, 2016, the Administrative Fund reported a net position of \$708.3 million, a decrease of \$40.9 million from June 30, 2015. The decrease in net position is the net result of primarily an operating loss of \$10.5 million and internal transfers out to other funds of \$30.3 million. Transfers were made from the Administrative Fund to the Grant Programs in the amount of \$9.1 million; the Mortgage or Bond Funds of \$7.2 million; Other Funds or Programs of \$3.1 million; and to AHFC's subsidiary, Alaska Corporation for Affordable Housing of \$10.9 million. Approximately \$18.8 million, or 2.7%, of the Administrative Fund's net position is invested in capital assets; \$59.7 million, or 8.4% of the total net position, is restricted by contractual or statutory agreements; and \$629.9 million, or 88.9%, is unrestricted and may be used for operations and to meet the continuing obligations of the Corporation. The change in unrestricted net position represents a decrease of 8.2% from unrestricted net position as of June 30, 2015.

The *Grant Programs* include resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families and to assist in improving the energy efficiency of Alaskan homes, as well as tenant-based rental assistance programs for families in the private market that are administered by the Corporation under contract with HUD. These programs include the Energy Programs, the Section 8 Vouchers Programs, and Other Grants. As of June 30, 2016, the net position for these three programs combined was \$19.6 million, a decrease of \$0.2 million from June 30, 2015. The fund had an operating loss of \$9.3 million for fiscal year 2016, and \$9.1 million in transfers from the Administrative Fund. There was no significant change in operating results between fiscal years 2016 and 2015.

The *Mortgage or Bond Funds* include resources used to assist in the financing of loan programs or to fund legislative appropriations. This fund includes the First Time Homebuyer Program Bonds, Veterans Mortgage Program Bonds, Other Housing Bonds, and Non-Housing Bonds.

As of June 30, 2016, the Mortgage or Bond Funds reported a net position of \$600.9 million, an increase of \$17.2 million from the June 30, 2015, net position of \$583.7 million. The Mortgage and Bond Funds had a net operating income of \$39.0 million in fiscal year 2016, accounting for the majority of the increase in net position. The remainder of the increase in net position is from transfers from the Administrative Fund in the amount of \$7.2 million. Expenses in the Mortgage or Bond Funds decreased by \$6.6 million. The majority of the decrease (\$5.0 million or 75.8%) was due to lower interest costs. Approximately \$554.8 million, or 95%, of the fund's net position is restricted by bond resolutions.

The *Other Funds or Programs* include AHFC-owned housing for low income families that is managed under contract with HUD as well as other programs that aren't specifically grants or bond funds. These programs include the Low Rent Program, the Market Rate Rental Housing Programs, the Home Ownership Fund and the Senior Housing Revolving Loan Fund. As of June 30, 2016, there was a \$27.3 million (22.3%) increase in net position

MANAGEMENT'S DISCUSSION AND ANALYSIS

from \$122.5 million to \$149.8 million. Overall, the fund had an operating loss of \$4.8 million and received transfers from the Administrative Fund in the amount of \$3.0 million.

The *Alaska Corporation for Affordable Housing* ("ACAH") is a non-profit public benefit corporation that develops and operates affordable housing for Alaskans, utilizing various funding sources. ACAH is reported as a major blended component unit for the benefit of users of the financial statements.

ACAH's net position at June 30, 2016 was \$21.0 million, a \$10.7 million increase from June 30, 2015. ACAH had an operating loss of \$189,000 for fiscal year 2016, and received \$10.9 million in transfers from the Administrative Fund.

FINANCIAL HIGHLIGHTS

- Operating income for fiscal year 2016 for the Corporation as a whole was \$14.2 million compared to \$8.5 million in fiscal year 2015. This signifies an increase of \$5.7 million, or 67.0%.
- The Corporation's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources as of June 30, 2016, by \$1.5 billion (net position). The net position for the Corporation as a whole increased by \$14.1 million.
- During the fiscal year ended June 30, 2016, the investment portfolio earned approximately 0.60% overall, as compared with 0.41% for the fiscal year ended June 30, 2015.
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2016, the mortgage loan portfolio increased by 5.8%, and the bond portfolio used to finance the loans decreased by 5.4%.
- As of June 30, 2016, the weighted average interest rate on the mortgage portfolio was 4.67% and the weighted average interest rate on the bond portfolio was 3.69%, yielding a net interest margin of 0.98%.
- During the fiscal year ended June 30, 2016, the Corporation's total assets decreased by \$49.2 million, or 1.3%, and deferred outflows increased by \$63.5 million, or 37.0%, totaling a net increase in assets and deferred outflows of \$14.3 million. Total liabilities decreased by \$2.8 million, and deferred inflows increased by \$2.6 million, totaling a net decrease in liabilities and deferred inflows of \$0.2 million, or 0.1%.
- In December 2015, AHFC issued \$55,620,000 in State Capital Projects Bonds II, 2015 Series C. The bonds were issued mainly to refund \$37,420,000 of State Capital Project Bonds, 2006 Series A and \$3,765,000 of State Capital Bonds 2007 Series B. Net proceeds of the bonds totaled \$64,566,000, including a premium of \$8,946,000. \$42,335,000 of the proceeds was deposited into an irrevocable trust with an escrow agent to completely pay off the refunded bonds on the first optional redemption dates in June 2016 and December 2017. The 2006 bonds were fully redeemed in June 2016. The 2007 bonds have been legally defeased, and the trust account assets and the liability for the refunded bonds were removed from the Statement of Net Position. This advance refunding decreases debt service payments by \$10,425,000 over the next 25 years, resulting in net present value savings of \$4,310,000.

CONDENSED STATEMENT OF NET POSITION

The following table presents condensed information about the financial position of the Corporation as of June 30, 2016 and 2015, and changes in the balances during the fiscal year ended June 30, 2016 (in thousands):

MANAGEMENT'S DISCUSSION AND ANALYSIS

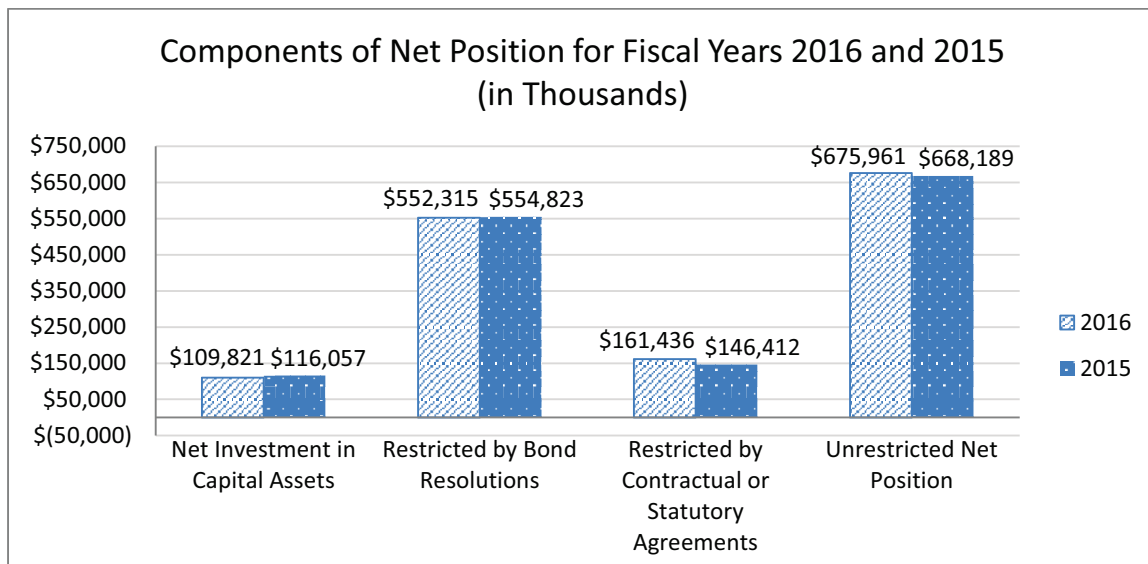
Condensed Statement of Net Position

	2016	2015	Increase/(Decrease)	
Cash and investments	\$ 685,692	\$ 866,592	\$ (180,900)	-20.9%
Mortgage loans, notes and other loans, net	2,817,494	2,662,893	154,601	5.8%
Capital assets, net	109,821	116,057	(6,236)	-5.4%
Other assets	82,626	99,320	(16,694)	-16.8%
Total Assets	3,695,633	3,744,862	(49,229)	-1.3%
Deferred outflow of resources	234,921	171,440	63,481	37.0%
Bonds and notes payable, net	2,083,582	2,201,527	(117,945)	-5.4%
Short term debt	71,589	16,899	54,690	323.6%
Accrued interest payable	9,628	9,397	231	2.5%
Derivatives	210,543	150,199	60,344	40.2%
Other liabilities	55,009	49,522	5,487	11.1%
Total liabilities	2,430,351	2,427,544	2,807	0.1%
Deferred inflow of resources	670	3,277	(2,607)	-79.6%
Total net position	\$ 1,499,533	\$ 1,485,481	\$ 14,052	0.9%

The decrease in total assets during FY 2016 can be attributed largely to a decrease in cash and investments. Because of the low short-term rate environment, the Corporation used some of its liquid cash to purchase longer term assets and redeem higher-rate bond debt, hence the reduction in bonds payable. The increase in mortgage loans was largely due to more competitive mortgage rates, expanded loan parameters and increased outreach to our industry partners.

Total liabilities increased slightly. Total net pension liability as of June 30, 2016, included in other liabilities above, was \$37.8 million and as of June 30, 2015, was \$29.1 million. The pension liability was determined by actuarial valuation. Short term debt and derivatives increased by \$115.0 million, whereas bonds and notes payable decreased by \$117.9 million. See the Debt Administration section of this report for more information on the bonds and notes payable.

The chart below shows the change in the various components of net position from fiscal year 2015 to fiscal year 2016.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following table presents condensed information about the revenues, expenses and changes in net position for the fiscal years ended June 30, 2016 and 2015, and the variances from the prior fiscal year (in thousands):

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015	Increase/(Decrease)	
Mortgage and loan revenue	\$ 128,942	\$ 126,140	\$ 2,802	2.2%
Investment interest income	3,595	4,399	(804)	-18.3%
Net change in fair value of investments	2,202	1,627	575	35.3%
Externally funded programs	123,782	146,236	(22,454)	-15.4%
Rental and other revenue	15,659	11,697	3,962	33.9%
Total operating revenue	274,180	290,099	(15,919)	-5.5%
Interest expense	70,357	75,349	(4,992)	-6.6%
Mortgage, loan and financing costs	8,561	10,650	(2,089)	-19.6%
Operations and administration	58,373	70,373	(12,000)	-17.1%
Housing grants and subsidies	122,688	125,222	(2,534)	-2.0%
Total operating expense	259,979	281,594	(21,615)	-7.7%
Operating income(loss)	14,201	8,505	5,696	-67.0%
Contributions to the State of Alaska	(149)	(3,825)	3,676	-96.1%
Cumulative effect of accounting change	-	(29,107)	29,107	-100.0%
Change in net position	\$ 14,052	\$ (24,427)	\$ 38,479	157.5%

Total operating revenues decreased by \$15.9 million, or 5.5%, during fiscal year 2016 primarily due to decreases externally funded program revenue.

Total operating expenses decreased by a greater amount in 2016. The total decrease was \$21.6 million, or 7.7%, during fiscal year 2016. The decreases were primarily in administrative and interest expenses.

The net effect of changes in operating revenues and expenses was a \$5.7 million increase, or 67.0%, in operating income.

Total net position increased in fiscal year 2016 by \$14.1 million, and it decreased by \$24.4 million in fiscal year 2015. In 2015, the decrease was largely due to the implementation of GASB Statement No. 68, which required the Corporation to recognize in its financial statements its proportionate share of the collective pension costs and obligations of the State of Alaska's multiemployer cost sharing defined benefit pension plan.

The Corporation continued its series of annual transfers to the State of Alaska and State agencies. As a result of a modification to the Transfer Plan (explained in more detail in the Footnotes to the Financial Statements) during the 2004 Legislative Session, contributions to the State for fiscal year 2016 were \$149,000 compared to those of fiscal year 2015 of approximately \$3.8 million. See Footnote No. 18 for more details about the Transfer Plan calculation.

DEBT ADMINISTRATION

As of June 30, 2016, the Corporation had \$2.1 billion in bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's general obligation is rated by three major rating agencies as follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rating Category	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Long Term	AA+	Aa2	AA+
Short Term	F1+	P-1	A-1+

Significant debt activity during the year included the following:

- Issued \$55.6 million of State Capital Project Bonds;
- Redeemed bonds through special revenue redemption provisions of their respective indentures in the amount of \$59.9 million. Current refundings for fiscal year 2016 totaled \$32.1 million
- Redeemed \$84.7 million of State Capital Project Bonds 2006 Series A, \$47.2 million of which were defeased in June 2015 and \$37.4 million of which were defeased in December 2015.

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

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

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

The Corporation's main sources of revenue 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 these prepayments to redeem higher rate bonds, thus lowering the interest expense incurred on the Corporation's overall portfolio, 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. For inquiries about this report or to request additional financial information please call (907) 330-8322 or email finance@ahfc.us.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

As of June 30, 2016

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
ASSETS				
Current				
Cash	\$ 32,550	\$ 6,209	\$ 134	\$ 23,941
Investments	491,232	-	121,480	1,385
Accrued interest receivable	3,082	-	9,089	106
Inter-fund due to/from	(23,817)	(7,232)	38,947	(2,039)
Mortgage loans, notes and other loans	8,687	-	67,752	1,172
Net investment in direct financing lease	-	-	5,414	-
Other assets	4,311	6,418	-	665
Intergovernmental receivable	153	17,487	-	217
Total Current	516,198	22,882	242,816	25,447
Non Current				
Investments	1,491	-	-	-
Inter-fund due to/from	-	1,425	-	-
Mortgage loans, notes and other loans	281,325	-	2,402,721	38,652
Net investment in direct financing lease	-	-	29,141	-
Capital assets - non-depreciable	2,483	-	-	13,662
Capital assets - depreciable, net	16,270	43	-	73,696
Other assets	6,413	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Non Current	307,982	1,468	2,431,862	126,010
Total Assets	824,180	24,350	2,674,678	151,457
DEFERRED OUTFLOW OF RESOURCES				
	5,741	-	229,180	-
LIABILITIES				
Current				
Bonds payable	-	-	65,766	-
Short term debt	71,589	-	-	-
Accrued interest payable	2,473	-	7,155	-
Other liabilities	7,022	4,734	1,198	1,278
Intergovernmental payable	-	-	134	416
Total Current	81,084	4,734	74,253	1,694
Non Current				
Bonds payable	-	-	2,017,816	-
Other liabilities	1,978	1	386	1
Derivative instrument - interest rate swaps	-	-	210,543	-
Intergovernmental payable	-	-	-	-
Pension liability	37,859	-	-	-
Total Non Current	39,837	1	2,228,745	1
Total Liabilities	120,921	4,735	2,302,998	1,695
DEFERRED INFLOW OF RESOURCES				
	670	-	-	-
NET POSITION				
Net investment in capital assets	18,753	43	-	87,358
Restricted by bond resolutions	-	-	552,315	-
Restricted by contractual or statutory agreements	59,693	21,033	-	63,411
Unrestricted or (deficit)	629,884	(1,461)	48,545	(1,007)
Total Net Position	\$ 708,330	\$ 19,615	\$ 600,860	\$ 149,762

See accompanying notes to the financial statements.

Exhibit A

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total June 30, 2016
\$ 62,834	\$ 7,270	\$ 70,104
614,097	-	614,097
12,277	48	12,325
5,859	(5,859)	-
77,611	-	77,611
5,414	-	5,414
11,394	81	11,475
17,857	-	17,857
807,343	1,540	808,883
1,491		1,491
1,425	(1,425)	-
2,722,698	17,185	2,739,883
29,141	-	29,141
16,145	3,667	19,812
90,009	-	90,009
6,413	1	6,414
-	-	-
-	-	-
2,867,322	19,428	2,886,750
3,674,665	20,968	3,695,633
234,921	-	234,921
65,766	-	65,766
71,589	-	71,589
9,628	-	9,628
14,232	2	14,234
550	-	550
161,765	2	161,767
2,017,816	-	2,017,816
2,366	-	2,366
210,543	-	210,543
-	-	-
37,859	-	37,859
2,268,584	-	2,268,584
2,430,349	2	2,430,351
670	-	670
106,154	3,667	109,821
552,315	-	552,315
144,137	17,299	161,436
675,961	-	675,961
\$ 1,478,567	\$ 20,966	\$ 1,499,533

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2016

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
OPERATING REVENUES				
Mortgage and loans revenue	\$ 11,566	\$ -	\$ 116,187	\$ 1,141
Investment interest	340	10	3,009	232
Net change in the fair value of investments	2,896	-	15	(157)
Net change of hedge termination	-	-	(552)	-
Total Investment Revenue	3,236	10	2,472	75
Externally funded programs	1,519	109,322	-	12,941
Rental	356	-	-	10,135
Other	2,535	682	-	1,686
Total Operating Revenues	19,212	110,014	118,659	25,978
OPERATING EXPENSES				
Interest	87	-	70,270	-
Mortgage and loan costs	1,446	-	9,287	103
Financing expenses	285	-	3,271	-
Provision for loan loss	1,021	-	(7,579)	257
Operations and administration	26,863	11,785	4,403	15,300
Rental housing operating expenses	22	464	-	15,134
Housing grants and subsidies	-	107,046	-	8
Total Operating Expenses	29,724	119,295	79,652	30,802
Operating Income (Loss)	(10,512)	(9,281)	39,007	(4,824)
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(149)	-	-	-
Special Item	-	-	-	-
Transfers - Internal	(30,273)	9,109	7,225	3,027
Change in Net Position	(40,934)	(172)	46,232	(1,797)
Net position at beginning of year	749,264	19,787	554,628	151,559
Net Position at End of Period	\$ 708,330	\$ 19,615	\$ 600,860	\$ 149,762

See accompanying notes to the financial statements.

Exhibit B

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total June 30, 2016
\$ 128,894	\$ 48	\$ 128,942
3,591	4	3,595
2,754	-	2,754
(552)	-	(552)
5,793	4	5,797
123,782	-	123,782
10,491	216	10,707
4,903	49	4,952
273,863	317	274,180
70,357	-	70,357
10,836	-	10,836
3,556	-	3,556
(6,301)	470	(5,831)
58,351	22	58,373
15,620	14	15,634
107,054	-	107,054
259,473	506	259,979
14,390	(189)	14,201
(149)	-	(149)
-	-	-
(10,912)	10,912	-
3,329	10,723	14,052
1,475,238	10,243	1,485,481
\$ 1,478,567	\$ 20,966	\$ 1,499,533

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest income on mortgages and loans	\$ 7,211	\$ -	\$ 108,198	\$ 1,003
Principal payments received on mortgages and loans	5,947	-	323,216	1,866
Disbursements to fund mortgages and loans	(477,080)	-	-	-
Receipt (payment) for loan transfers between funds	294,146	-	(263,802)	(30,344)
Mortgage and loan proceeds	430,114	-	-	-
Payment of mortgage and loan proceeds to funds	(433,825)	-	-	-
Payments to employees and other payroll disbursements	(25,709)	(5,464)	-	(9,032)
Payments for goods and services	(8,912)	(2,419)	(139)	(12,929)
Cash received for externally funded programs	1,519	82,495	-	12,746
Cash received for Federal HAP subsidies	-	33,118	-	-
Payments for Federal HAP subsidies	-	(35,934)	-	-
Interfund receipts (payments)	(9,361)	(5,331)	(1)	4,916
Grant payments to other agencies	(232)	(66,831)	-	-
Other operating cash receipts	12,872	1,278	109	10,064
Other operating cash payments	(1,559)	(87)	(148)	(30)
Net cash provided by (used for) operating activities	(204,869)	825	167,433	(21,740)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from the issuance of bonds	-	-	103,037	-
Principal paid on bonds	-	-	(208,949)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(320)	-	-	-
Interest paid	(59)	-	(75,193)	-
Proceeds from issuance of short term debt	267,508	-	-	-
Payment of short term debt	(212,847)	-	-	-
Contributions to the State of Alaska or other State agencies	(149)	-	-	-
Transfers (to) from other funds	(62)	(98)	(5,456)	16
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	54,071	(98)	(186,561)	16
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(693)	(23)	-	(674)
Proceeds from the disposal of capital assets	1,748	-	-	6
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	(5,217)	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	(2,703)	-
Proceeds from direct financing leases	-	-	6,771	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	1,055	(23)	(1,149)	(668)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,688,304)	-	(1,405,170)	(29,195)
Proceeds from maturity of investments	2,845,865	-	1,423,919	56,291
Interest received from investments	390	10	1,488	367
Net cash provided by (used for) investing activities	157,951	10	20,237	27,463
Net Increase (decrease) in cash	8,208	714	(40)	5,071
Cash at the beginning of year	24,342	5,495	174	18,870
Cash at the end of period	\$ 32,550	\$ 6,209	\$ 134	\$ 23,941
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (10,512)	\$ (9,281)	\$ 39,007	\$ (4,824)
<i>Adjustments:</i>				
Depreciation expense	606	17	450	6,374
Provision for loan losses	1,021	-	(7,579)	257
Net change in the fair value of investments	(2,896)	-	(15)	157
Transfers between funds for operating activity	(26,857)	9,207	7,685	4,653
Interest received from investments	(390)	(10)	(1,488)	(367)
Interest paid	59	-	77,896	-
<i>Changes in assets, liabilities and deferred resources:</i>				
Net (increase) decrease in mortgages and loans	(176,987)	-	59,414	(28,478)
Net increase (decrease) in assets, liabilities, and deferred resources	11,087	892	(7,937)	488
Net cash provided by (used for) operating activities	\$ (204,869)	\$ 825	\$ 167,433	\$ (21,740)
Noncash investing, capital and financing activities:				
Deferred outflow of resources-derivatives			(59,792)	
Derivative instruments liability			60,344	
Net change of hedge termination			(552)	
Transfer of direct financing lease between mortgage or bond funds			(6,565)	
Transfer of direct financing lease between mortgage or bond funds			6,565	
Transfer of building from mortgage or bond funds to the administrative fund	14,938		(14,938)	

Exhibit C

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total June 30, 2016
\$ 116,412	\$ -	\$ 116,412
331,029	1,000	332,029
(477,080)	(10,819)	(487,899)
-	-	-
430,114	-	430,114
(433,825)	-	(433,825)
(40,205)	-	(40,205)
(24,399)	(40)	(24,439)
96,760	-	96,760
33,118	-	33,118
(35,934)	-	(35,934)
(9,777)	9,777	-
(67,063)	-	(67,063)
24,323	282	24,605
(1,824)	(1)	(1,825)
(58,351)	199	(58,152)
103,037	-	103,037
(208,949)	-	(208,949)
-	-	-
(320)	-	(320)
(75,252)	-	(75,252)
267,508	-	267,508
(212,847)	-	(212,847)
(149)	-	(149)
(5,600)	5,600	-
-	-	-
(132,572)	5,600	(126,972)
(1,390)	-	(1,390)
1,754	-	1,754
-	-	-
(5,217)	-	(5,217)
-	-	-
(2,703)	-	(2,703)
6,771	-	6,771
-	-	-
(785)	-	(785)
(4,122,669)	-	(4,122,669)
4,326,075	-	4,326,075
2,255	4	2,259
205,661	4	205,665
13,953	5,803	19,756
48,881	1,467	50,348
\$ 62,834	\$ 7,270	\$ 70,104
\$ 14,390	\$ (189)	\$ 14,201
7,447	-	7,447
(6,301)	470	(5,831)
(2,754)	-	(2,754)
(5,312)	5,312	-
(2,255)	(4)	(2,259)
77,955	-	77,955
(146,051)	(9,819)	(155,870)
4,530	4,429	8,959
\$ (58,351)	\$ 199	\$ (58,152)

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NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1 AUTHORIZING LEGISLATION AND FUNDING

The Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska (the "State"), was created in 1971, and substantially modified in 1992, by acts of the Alaska State Legislature (the "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 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 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. 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 subsidiaries incorporated under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. The subsidiaries are as follows:

- Northern Tobacco Securitization Corporation ("NTSC") incorporated on September 29, 2000, pursuant to House Bill No. 281 of the 2000 Legislature.
- Alaska Housing Capital Corporation ("AHCC") incorporated on May 23, 2006, pursuant to Senate Bill 232 of the 2006 Legislature.
- Alaska Corporation for Affordable Housing ("ACAH") incorporated on February 1, 2012, pursuant to House Bill 119 of the 2011 Legislature.

Each subsidiary issues annual audited financial statements. Please contact AHFC to obtain a copy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial reporting entity consists of AHFC and the blended component unit ACAH. The entities are closely related and financially integrated. The board of directors for AHFC and ACAH are the same and both entities have similar mission statements. ACAH is a legally separate entity from AHFC but is considered a blended component unit of AHFC due to AHFC's operational responsibility for ACAH and the potential financial benefit or financial burden between AHFC and ACAH. AHFC is financially accountable for ACAH.

The other subsidiaries of AHFC are not closely related, nor financially integrated with AHFC. There is no financial accountability for the other subsidiaries by AHFC. They are not component units of AHFC, thus not included in these financial statements. Those subsidiaries are component units of the State.

Neither AHFC nor the State is liable for any debt issued by the subsidiaries of AHFC. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

Basis of Accounting

The financial reporting entity utilizes the economic resource measurement focus and full accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles as set forth in GASB's pronouncements.

NOTES TO FINANCIAL STATEMENTS

Basis of Presentation

The financial reporting entity is engaged in business-type activities that utilize enterprise funds. The basic fund financial statements are comprised of the Statement of Net Position (Exhibit A), the Statement of Revenues, Expenses and Changes in Net Position (Exhibit B), the Cash Flow Statement (Exhibit C) and the accompanying notes. The supplemental section contains combining financial statements by program, purpose, or bond indenture.

The basic financial statements include a Total Funds and Programs column representing an aggregate of AHFC amounts and a Total column for the financial reporting entity, an aggregation of both AHFC and ACAH amounts.

Major Funds and Component Unit

The basic fund financial statements present the major funds of AHFC and the major component unit ACAH.

Administrative Fund: This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation not accounted for in other funds.

Grant Programs: Resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families, to assist in improving the energy efficiency of Alaska homes, and to provide tenant-based rental assistance programs for families in the private market (administered by the Corporation under contract with HUD).

Mortgage or Bond Funds: Provides resources to assist in the financing of loan programs or to fund Legislature appropriations.

Other Funds or Programs: Includes the Low Rent program and other affordable housing for low income families managed under contract with HUD, owned by AHFC. Also includes the Home Ownership Fund and the Senior Housing Revolving Loan Fund.

Component unit ACAH: A non-profit public benefit corporation that develops and operates affordable housing for Alaskans, utilizing various funding sources. ACAH is reported as a major component unit for the benefit of users of the financial statements.

Restricted Net Position

The restricted net position of the Administrative Fund consists of the Corporation's remaining commitments to the State (refer to Footnote No. 18 State Authorizations and Commitments for further details) and resources of the Affordable Housing Development Program. The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond indentures, 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 position 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 major 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.

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. Once monies have been disbursed the mortgage loans are recorded.

NOTES TO FINANCIAL STATEMENTS

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 Owned

Real estate owned consists principally of properties acquired through foreclosure or repossession and is 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 threshold is \$5,000.

Bonds

The Corporation issues bonds to provide capital for its mortgage programs and other uses consistent with its mission. The bonds are recorded at cost plus accreted interest and premiums, less discounts. Discounts and premiums are amortized using the straight-line method.

Deferred Debt Refunding Expenses

Deferred debt refunding expenses occur when new debt is issued to replace existing debt. The differences between the carrying value of the old debt and the resources used to redeem it are called deferred debt refunding expenses. The unamortized balances of these expenses are recorded as deferred outflows of resources. These expenses are amortized over the shorter of the remaining life of the old debt or the remaining life of the new debt.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 of resources or deferred outflows of resources 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.

New Accounting Pronouncements

GASB Statement 72, Fair Value Measurement and Application, is effective for AHFC'S fiscal year 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes.

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, 2016
Restricted cash	\$ 37,554
Unrestricted	32,550
Carrying amount	<u>\$ 70,104</u>
Bank Balance	<u>\$ 70,959</u>

Investment Valuation

AHFC categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

AHFC measures its investments using quoted market prices (Level 1 inputs).

Investment Maturities

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		More Than		
	1	1-5	6-10	10	June 30, 2016
U. S. Treasury securities	\$ 291	\$ 130	\$ -	\$ -	\$ 421
Securities of U. S. Government agencies and corporations	-	58	-	-	58
Certificates of deposit	-	-	-	-	-
Negotiable Certificates of Deposit	-	-	-	-	-
Commercial paper & medium-term notes	192,183	1,303	-	-	193,486
Money market funds	84,315	-	-	-	84,315
Subtotal	<u>\$ 276,789</u>	<u>\$ 1,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>278,280</u>
GeFONSI pool					337,308
Total AHFC Portfolio					<u>\$ 615,588</u>

Restricted Investments

A large portion of the Corporation's investments, \$168,728,000, is restricted by bond resolutions, contractual agreements, and statutory agreements, and the remainder, \$446,860,000, is unrestricted.

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, 2016
Ending unrealized holding gain	\$ 30,617
Beginning unrealized holding gain	27,310
Net change in unrealized holding gain	3,307
Net realized gain (loss)	(553)
Net increase (decrease) in fair value	<u>\$ 2,754</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 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.

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.

NOTES TO FINANCIAL STATEMENTS

The credit quality ratings of the Corporation's investments as of June 30, 2016, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). The Corporation's investments included \$421,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. Government and are not considered to have credit risk and therefore, are not included in the summary.

	S & P	Moody's	Investment Fair Value
Securities of U. S. Government agencies and Corporations:	AA+	Aaa	\$ 58
Commercial paper, medium-term notes:	AA+	Aaa	500
	AA+	Aa1	101
	AA+	A1	250
	AA	Aa2	1,461
	AA	A1	420
	AA-	A1	1,995
	AA-	--	1,000
	AA-	Aa3	350
	A+	A2	500
	A+	A1	1,055
	A	A1	1,434
	A	A2	5,295
	--	A1e	500
	A--1+	P-1	97,053
	A--1	--	1,000
	A--1	P-1	76,523
			<u>189,437</u>
Money market funds:	AAAm	--	84,315
Unrated investments:			
Commercial paper, medium term notes	--	--	4,049
			<u>\$ 277,859</u>

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/pros/investors/fiscal-policies>

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

NOTES TO FINANCIAL STATEMENTS

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 June 30, 2016, 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
State of Alaska	\$ 337,308	54.79 %
Goldman Sachs	84,298	13.69
Toyota Motor Credit	72,701	11.81

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 \$70,959,000 bank balance at June 30, 2016, cash deposits in the amount of \$322,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$46,062,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

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.

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, 2016:

	Investment Fair Value	Modified Duration
U. S. Treasury securities:		
Treasury coupon securities	\$ 421	0.720
Securities of U. S. Government agencies and corporations:		
Federal agency coupon securities	-	0.000
Federal agency pass through securities	58	1.230
Certificates of deposit	-	0.000
Commercial paper & medium-term notes:		
Commercial paper interest bearing	1,250	0.372
Commercial paper discounts	173,290	0.212
Medium-term notes	18,946	0.586
Money market funds	84,315	0.000
	<u>\$ 278,280</u>	
Portfolio modified duration		0.080

NOTES TO FINANCIAL STATEMENTS

Investment in GeFONSI Pool

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund 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 Fixed Income Pool, Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The complete financial activity of the Funds is shown in the Comprehensive Annual Financial Report (CAFR) available from the Department of Administration, Division of Finance.

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.

The accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools is allocated to the pool participants daily on a pro-rata basis. The fair value of the Corporation's investment in the GeFONSI pool is \$337,308,000.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>

4 INTERFUND RECEIVABLE/PAYABLE

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

Due To	Due From					Total
	Administrative Fund	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Alaska Corporation for Affordable Housing	
Administrative Fund	\$ -	\$ 7,232	\$ -	\$ 2,039	\$ 5,859	\$ 15,130
Grant Programs	-	-	-	-	1,425	1,425
Mortgage or Bond Programs	38,947	-	-	-	-	38,947
Other Funds or Programs	-	-	-	-	-	-
Alaska Corporation for Affordable Housing	-	-	-	-	-	-
Total	\$ 38,947	\$ 7,232	\$ -	\$ 2,039	\$ 7,284	

The balance due to the Mortgage or Bond programs 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 due to the Administrative Fund from the Grant Programs and the Other Funds or Programs resulted primarily from expenditures paid by the Administrative Fund on behalf of those programs, as well as an allocation of management and bookkeeping fees mandated by HUD.

The balance due to the Administrative Fund from ACAH resulted primarily from cash advanced by the Administrative Fund to ACAH.

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):

	June 30, 2016
Mortgage loans	\$ 2,431,930
Multifamily loans	351,086
Other notes receivable	99,065
	<u>2,882,081</u>
Less:	
Allowance for losses	(64,587)
Net Mortgage loans, notes and other loans	<u>\$ 2,817,494</u>

Of the \$2,817,494,000 mortgage loans, notes, and other loans, \$77,611,000 is due within a year.

Other notes receivable include monies due to AHFC for various unconventional loan programs, monies that weren't expended by grant recipients and notes receivable due to ACAH of \$18,430,000. Included in the allowance for losses is \$1,245,000 for ACAH's notes receivable bringing ACAH's net notes receivable to \$17,185,000.

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

	June 30, 2016
<u>Delinquencies and foreclosures:</u>	
Loans delinquent 30 days or more	\$ 102,887
Foreclosures during period	7,174
Loans in foreclosure process	10,315
<u>Mortgage-related commitments:</u>	
To purchase mortgage loans	90,754

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 Building Lease 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 for \$1 after June 1, 2017, which is the end of the lease. In March 2015, the Corporation issued the State Capital Project Bonds, 2015 Series A, to refund the General Housing Purpose Bonds, 2005 Series C, which were previously issued in May 2005 to refund the State Building Lease Bonds, Series 1999, which were originally issued in 1999 to finance the purchase of the office building. The lease of the building to the State has been recorded as a direct financing lease.

In fiscal year 2007, the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage was \$44,000,000, and 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 for \$1 after December 1, 2027, which is the end of the lease. In December 2015, and June 2015, the Corporation issued the State Capital Project Bonds, 2015 Series C and the State Capital Project Bonds, 2015 Series B, respectively, to partially refund the State Capital Project Bonds, 2007 Series A, which were originally issued in September 2007 to finance the purchase of the parking garage. The lease of the garage to the State has been recorded as a direct financing lease.

NOTES TO FINANCIAL STATEMENTS

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
2017	\$ 3,304	\$ 3,467	\$ 6,771
2018	3,304	-	3,304
2019	3,304	-	3,304
2020	3,304	-	3,304
2021	3,034	-	3,034
Thereafter	23,392	-	23,392
Gross payments due	39,642	3,467	43,109
Less: Unearned revenue	(8,452)	(102)	(8,554)
Net investment in direct financing lease	\$ 31,190	\$ 3,365	\$ 34,555

8 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, and a summary of balances are shown below (in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016
Non-Depreciable Capital Assets:				
Land	\$ 19,687	\$ 134	\$ (9)	\$ 19,812
Construction in progress	156	789	(945)	-
Total Non-Depreciable	19,843	923	(954)	19,812
Depreciable Capital Assets:				
Buildings	242,359	853	(115)	243,097
Computers & Equipment	2,266	231	(245)	2,252
Vehicles	1,983	187	(54)	2,116
Less: Accumulated depreciation				
Buildings	(146,844)	(7,043)	86	(153,801)
Computers & Equipment	(1,850)	(278)	245	(1,883)
Vehicles	(1,700)	(126)	54	(1,772)
Total Depreciable, Net	96,214	(6,176)	(29)	90,009
Total Capital Assets, Net	\$ 116,057	\$ (5,253)	\$ (983)	\$ 109,821

The above capital assets include \$3,667,000 of land and land improvements that belong to ACAH.

The depreciation expense charged by the Corporation was \$7,447,000 for the year ended June 30, 2016.

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 \$6,465,000 at June 30, 2016.

9 DEFERRED OUTFLOWS OF RESOURCES

The Government Accounting Standards Board has defined deferred outflows of resources as the consumption of resources that are applicable to a future period. AHFC's deferred outflows of resources at June 30, 2016, were interest rate swap derivatives of \$207,474,000, deferred debt refunding expense of \$21,706,000, and pension deferred outflows of \$5,741,000.

10 BONDS PAYABLE

The Corporation's obligations are not a debt of the State, and the State is not directly liable thereon except for the Veterans Mortgage Program Bonds. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. In the event that the Corporation cannot make the Veterans Mortgage Program Bond payments, the State will pay the principal and interest payments.

All of the bonds 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.

NOTES TO FINANCIAL STATEMENTS

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, 2016, there were no draw down bonds outstanding, and the Corporation does not anticipate issuing any additional draw down bonds in the future.

Bonds outstanding are shown below (in thousands):

	Original Amount	June 30, 2016
First-Time Home Buyer Program		
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2009 Series A-1; 3.07%, due 2027-2041	\$ 64,350	\$ 48,290
• 2009 Series A-2; 2.32%, due 2026-2041	128,750	90,570
• 2010 Series A; 2.25% to 4.00%, due 2016-2027 Unamortized discount	43,130	30,495 (142)
• 2010 Series B; 2.25% to 4.625%, due 2016-2040	35,680	31,470
• 2011 Series B; 2.20% to 4.05%, due 2016-2026	71,360	49,375
<i>Mortgage Revenue Bonds, Taxable:</i>		
• 2011 Series A; 2.80% due 2016-2026	28,945	4,265
Total Mortgage Revenue Bonds	372,215	254,323
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2002 Series A; Floating Rate*; 0.50% at June 30, 2016, due 2032-2036 Unamortized swap termination penalty	170,000	62,890 (3,848)
• 2007 Series A; Floating Rate*; 0.43% at June 30, 2016, due 2017-2041	75,000	75,000
• 2007 Series B; Floating Rate*; 0.43% at June 30, 2016, due 2017-2041	75,000	75,000
• 2007 Series D; Floating Rate*; 0.39% at June 30, 2016, due 2017-2041	89,370	89,370
• 2009 Series A; Floating Rate*; 0.46% at June 30, 2016, due 2020-2040	80,880	80,880
• 2009 Series B; Floating Rate*; 0.39% at June 30, 2016, due 2020-2040	80,880	80,880
• 2009 Series D; Floating Rate*; 0.40% at June 30, 2016, due 2020-2040	80,870	80,870
Total Home Mortgage Revenue Bonds	652,000	541,042
Veterans Mortgage Program Bonds:		
<i>Collateralized State Guaranteed Bonds, Tax-Exempt:</i>		
• 2007 & 2008 First Series; 4.00% to 5.25%, due 2017-2038	57,885	11,585
Other Housing Bonds:		
<i>General Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2012 Series A; 1.30% to 4.30%, due 2016-2040 Unamortized discount Unamortized premium	145,890	121,580 (610) 430
<i>Governmental Purpose Bonds, Tax-Exempt:</i>		
• 1997 Series A; Floating Rate*, monthly payments, 0.42% at June 30, 2016, due 2027	33,000	14,600
• 2001 Series A; Floating Rate*; 0.40% at June 30, 2016, due 2016-2030 Unamortized swap termination penalty	76,580	48,675 (5,725)
• 2001 Series B; Floating Rate*; 0.40% at June 30, 2016, due 2016-2030	93,590	59,480
Total Other Housing Bonds	349,060	238,430

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2016
Non-Housing Bonds:		
State Capital Project Bonds, Tax-Exempt:		
• 2002 Series C; Floating Rate*, 0.41% at June 30, 2016, due 2016-2022	60,250	40,420
• 2007 Series A & B; 4.00% to 5.25%, due 2016-2029	95,525	32,470
Unamortized discount		(34)
Unamortized premium		383
• 2011 Series A; 4.25% to 5.00%, due 2016-2027	105,185	74,670
Unamortized discount		(70)
Unamortized premium		1,000
• 2012 Series A; 3.00% to 5.00%, due 2016-2032	99,360	83,230
Unamortized discount		(109)
Unamortized premium		7,793
• 2013 Series A; 4.00% to 5.00%, due 2017-2032	86,765	86,765
Unamortized premium		8,613
• 2014 Series A; 3.00% to 5.00%, due 2016-2033	95,115	95,115
Unamortized discount		(63)
Unamortized premium		6,947
• 2014 Series B; 4.00% to 5.00%, due 2016-2029	29,285	28,350
Unamortized premium		3,489
• 2014 Series D; 3.00% to 5.00%, due 2016-2029	78,105	78,055
Unamortized premium		12,237
• 2015 Series A; 2.00% to 5.00%, due 2016-2030	111,535	109,265
Unamortized premium		15,559
• 2015 Series B; 3.00% to 5.00%, due 2016-2036	93,365	92,580
Unamortized discount		(226)
Unamortized premium		8,269
• 2015 Series C; 3.00% to 5.00%, due 2016-2035	55,620	55,135
Unamortized premium		8,359
State Capital Project Bonds, Taxable:		
• 2013 Series B; Indexed Floating Rate*, monthly payments 1.26% at June 30, 2016, due 2043	50,000	50,000
• 2014 Series C; Indexed Floating Rate*, 0.96% at June 30, 2016, due 2029	140,000	140,000
Total Non-Housing Bonds	1,100,110	1,038,202
Total Bonds Payable	\$ 2,531,270	\$ 2,083,582

Note: Debt service payments on the above mentioned bonds 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 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 redeem previously issued debt, called current refundings. The related discounts and costs of issuance of the old debt are classified as a deferred outflow of resources 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 the outstanding amount falls below 15% of the total issuance.

During the year ended June 30, 2016, the Corporation made \$59,945,000 special revenue redemptions and \$32,120,000 current refundings.

Advance Refundings

In December 2015, AHFC issued \$55,620,000 in State Capital Projects Bonds II, 2015 Series C (the "Bonds"). The Bonds were issued mainly to refund \$37,420,000 of State Capital Project Bonds, 2006 Series A and \$3,765,000 of State Capital Bonds 2007 Series B (the "Refunded Bonds"). Net proceeds of the Bonds totaled \$64,566,000, including a premium of \$8,946,000. \$42,335,000 of the proceeds was deposited into an irrevocable trust with an escrow agent to completely pay off the Refunded Bonds on the first optional redemption dates in June 2016 and December 2017. The Refunded Bonds have been legally defeased, and the trust account assets and the liability for the Refunded Bonds have been removed from the Statement of Net Position. This advance refunding decreases debt service payments by \$10,425,000 over the next 25 years, resulting in Net Present Value savings of \$4,310,000.

In the fiscal year ended June 30, 2015, the Corporation also effected an advanced refunding where the proceeds of issued bonds were used to defease outstanding debt of the Corporation.

A summary of all defeased debt, as of June 30, 2016, follows (in thousands):

	Defeased Date	June 30, 2016
State Capital Project Bonds, 2007 Series A and B	June 2015	\$ 34,230
State Capital Project Bonds, 2007 Series B	December 2015	3,765
		<u>\$ 37,995</u>

Debt Service Requirements**

For all bonds in the preceding schedules, the Corporation's debt service requirements through 2021 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ended June 30	Total Debt Service		
	Principal	Interest*	Total
2017	\$ 55,545	\$ 73,804	\$ 129,349
2018	57,665	71,832	129,497
2019	59,315	69,672	128,987
2020	73,275	67,205	140,480
2021	110,140	63,283	173,423
2022-2026	428,075	258,155	686,230
2027-2031	612,980	157,873	770,853
2032-2036	326,810	76,666	403,476
2037-2041	235,170	26,112	261,282
2042-2044	62,355	1,479	63,834
	<u>\$ 2,021,330</u>	<u>\$ 866,081</u>	<u>\$ 2,887,411</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2016

** Also see Note 11 – Derivatives

NOTES TO FINANCIAL STATEMENTS

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 all conduit debt follows (in thousands):

	Maximum Issue Amount	Balance at June 30, 2016
Tax Exempt Direct Purchase Bonds (ANC MV Phase I Limited Partnership Project), Series 2014	\$14,682	\$7,438
Tax Exempt Revenue Bonds 2015 (Creekview Plaza 49 Senior Housing Project)	8,500	4,721
Tax Exempt Direct Purchase Bonds (325 E. 3rd Limited Partnership), Series 2016	4,000	1,726

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 Position, 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.

AHFC categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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. These measurements are Level 2 inputs. 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 risks, position size, transaction and financing costs, and the use of capital profit. The fair value represents the current price to settle swap assets 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, 2016, the Corporation had not posted any collateral and was not required to post any collateral.

Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of June 30, 2016, 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	BBB+/A3
GP01B	08/02/01	4.1427	67% of 1M LIBOR	12/01/30	AA-/Aa3
E021A1 ²	10/09/08	2.9800	70% of 3M LIBOR ⁵	06/01/32	AA-/Aa2
E021A2	10/09/08	3.4480	70% of 1M LIBOR	12/01/36	AA-/Aa3
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +0.115%	07/01/22	A+/Aa2
E071AB	05/31/07	3.7345	70% of 3M LIBOR	12/01/41	AA-/Aa2
E071BD	05/31/07	3.7200	70% of 3M LIBOR	12/01/41	A+/Aa2
E091A	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	AA-/Aa1
E091B	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	AA-/Aa2
E091ABD	05/28/09	3.7450	70% of 3M LIBOR	12/01/40	A+/Aa2

1. Governmental Purpose Bonds

2. Home Mortgage Revenue Bonds

3. State Capital Project Bonds

4. London Interbank Offered Rate ("LIBOR") 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, 2016, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			June 30, 2016	June 30, 2015	
GP01A	\$ 48,675	\$ 54,690	\$ (6,015)	\$ (3,732)	\$ (2,283)
GP01B	59,480	74,509	(15,029)	(12,810)	(2,219)
E021A1	39,060	45,849	(6,789)	(4,501)	(2,288)
E021A2	23,830	24,932	(1,102)	(2,508)	1,406
SC02C	40,420	44,843	(4,423)	(5,085)	662
E071AB	143,622	194,519	(50,897)	(35,022)	(15,875)
E071BD	95,748	129,447	(33,699)	(23,039)	(10,660)
E091A	72,789	100,293	(27,504)	(18,478)	(9,026)
E091B	72,789	99,510	(26,721)	(18,392)	(8,329)
E091ABD	97,052	132,347	(35,295)	(24,115)	(11,180)
Total	\$ 693,465	\$ 900,939	\$ (207,474)	\$ (147,682)	\$ (59,792)

As of June 30, 2016, 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
2017	\$ 15,645	\$ 2,888	\$ 22,525	\$ 41,058
2018	18,880	2,817	21,954	43,651
2019	19,735	2,737	21,315	43,787
2020	23,930	2,654	20,648	47,232
2021	28,420	2,546	19,785	50,751
2022-2026	138,505	10,961	84,968	234,434
2027-2031	156,395	7,927	61,748	226,070
2032-2036	135,535	4,853	38,111	178,499
2037-2041	148,180	1,833	14,460	164,473
2042-2045	8,240	17	135	8,392
	\$ 693,465	\$ 39,233	\$ 305,649	\$ 1,038,347

Credit Risk

As of June 30, 2016, 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 37% of the total notional amount of the swaps is held with one counterparty rated "AA-/Aa2". Another 34% of the total notional amount of the swaps is held with another counterparty rated "A+/Aa2". Of the remaining swaps, one counterparty is rated "AA-/Aa3", another counterparty is rated "AA-/Aa1", and the remaining counterparty is rated "BBB+/A3", approximating 12%, 10 %, and 7% respectively, of the total notional amount of the swaps.

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.

Basis Risk

All of the Corporation's variable-rate bond interest payments related to interest rate swaps 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, 2016, SIFMA was 0.41% and 1-month LIBOR was 0.46505%, resulting in a SIFMA/LIBOR ratio of 88.2%. The 3-month LIBOR was 0.6541%, resulting in a SIFMA/LIBOR ratio of 62.7%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

NOTES TO FINANCIAL STATEMENTS

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. An additional payment of \$150,000 was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

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 Home Mortgage Revenue Bonds, 2002 Series A 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 Governmental Purpose Bonds, 2001 Series A and B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the un-swapped portion of the debt.

Investment Derivative

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

The significant terms and credit ratings of the Corporation's investment derivative as of June 30, 2016, 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+/Aa2

The change in fair value of the investment derivatives as of June 30, 2016, is shown below (in thousands) and is presented on the net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			June 30, 2016	June 30, 2015	
SC02B	\$ 14,555	\$ 17,623	\$ (3,069)	\$ (2,517)	\$ (552)

Credit Risk

As of June 30, 2016, 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+/Aa2".

12 LONG TERM LIABILITIES

The activity for the year ended June 30, 2016 is summarized in the following schedule (in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016	Due Within One Year
Total bonds and notes payable	\$ 2,201,527	\$ 64,564	\$ (182,509)	\$ 2,083,582	\$ 65,766
Pension liability	28,368	9,491	-	37,859	-
Compensated absences	4,631	2,774	(3,067)	4,338	2,360
Other liabilities	858	(550)	504	812	426
Total long-term liabilities	\$ 2,235,384	\$ 76,279	\$ (185,072)	\$ 2,126,591	\$ 68,552

NOTES TO FINANCIAL STATEMENTS

13 SHORT TERM DEBT

The Corporation has a taxable commercial paper program. Commercial paper is used to refund certain tax-exempt debt until new debt replaces it. Individual maturities range up to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Corporation's Board of Directors is \$150,000,000. The lowest yield during the year ended June 30, 2016, was 0.12% and the highest was 0.48%.

Short term debt activity for the year ended June 30, 2016, is summarized in the following schedule (in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016
Commercial paper	\$ 16,900	\$ 267,606	\$ (212,906)	\$ 71,600
Unamortized discount	(1)	(70)	60	(11)
Commercial paper, net	\$ 16,899	\$ 267,536	\$ (212,846)	\$ 71,589

14 DEFERRED INFLOWS OF RESOURCES

The Government Accounting Standards Board has defined deferred inflows of resources as the acquisition of resources that are applicable to a future period. AHFC's deferred inflows of resources at June 30, 2016, represent the difference between projected and actual investment earnings in State of Alaska's Public Employees' Retirement System Defined Benefit Retirement Plan of \$670,000.

15 TRANSFERS

Transfers for the year ended June 30, 2016, are summarized in the following schedule (in thousands):

	From					
	Administrative Fund	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Alaska Corporation for Affordable Housing	Total
Administrative Fund	\$ -	\$ 98	\$ 55,598	\$ 16	\$ -	\$ 55,712
Grant Programs	9,248	-	-	-	-	9,248
T Mortgage or Bond Programs	62,823	-	5,718	-	-	68,541
o Other Funds or Programs	3,002	41	-	-	-	3,043
Alaska Corporation for Affordable Housing	10,912	-	-	-	-	10,912
Total	\$ 85,985	\$ 139	\$ 61,316	\$ 16	\$ -	

Transfers are used to:

- (1) move cash between the Administrative Fund and the Mortgage or Bond Programs to subsidize debt service payments or satisfy bond indenture requirements;
- (2) move mortgages between the Administrative Fund and the Mortgage or Bond Programs;
- (3) record expenditures paid on behalf of the Grant Programs, the Mortgage or Bond Programs, and the Other Funds or Programs by the Administrative Fund;
- (4) move cash and mortgages between various Mortgage or Bond Programs; or
- (5) record any unreimbursable expenditures paid by the Administrative Fund on behalf of ACAH and cash transferred between the Administrative Fund and ACAH.

16 OTHER CREDIT ARRANGEMENTS

The Corporation currently has certain outstanding debt obligations with which it has entered into standby bond purchase agreements to provide liquidity in the event of unremarketed tenders and/or bond insurance contracts to guarantee the payment of debt service. At June 30, 2016, the Corporation had unused standby bond purchase agreements of \$544,890,000 and bond insurance of \$32,470,000.

NOTES TO FINANCIAL STATEMENTS

17 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt mortgage revenue 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 mortgage revenue 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. The amount of excess earning arbitrage expensed for the year ended June 30, 2016 was (\$47,000). No arbitrage was paid for the year ended June 30, 2016.

18 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". Following are the details of AHFC's dividend to the State as of June 30, 2016, (in thousands):

	Dividend Due to State	Expenditures	Remaining Commitments
State General Fund Transfers	\$ 789,698	\$ (788,948)	\$ 750
State Capital Projects Debt Service	434,866	(422,438)	12,428
State of Alaska Capital Projects	253,761	(249,159)	4,602
AHFC Capital Projects	478,858	(450,775)	28,083
Total	\$ 1,957,183	\$ (1,911,320)	\$ 45,863

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.

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 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 the adjusted change in net position 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.

NOTES TO FINANCIAL STATEMENTS

19 HOUSING GRANTS AND SUBSIDIES EXPENSES

The grant programs are funded from HUD, federal, State and Corporate proceeds. The Corporation paid grants to third parties for the following programs (in thousands):

	June 30, 2016
▪ Beneficiaries and Special Needs Housing	\$ 2,218
▪ Continuum of Care Homeless Assistance	2,218
▪ Domestic Violence	1,570
▪ Drug Elimination	43
▪ Emergency Shelter Grant (ESG)	214
▪ Energy Efficiency Monitoring Research	561
▪ Energy Efficient Home Program	14,658
▪ HOME Investment Partnership	2,151
▪ Homeless Assistance Program	8,582
▪ Housing Choice Vouchers	31,201
▪ Housing Loan Program	5,409
▪ Housing Opportunities for Persons with AIDS	680
▪ Low Income Home Energy Assistance	300
▪ Low Income Weatherization Assistance	22,460
▪ Non-Elderly Disabled (NED)	243
▪ Parolees (TBRA)	613
▪ Section 8 Rehabilitaton	427
▪ Senior Citizen Housing Development Grant	3,925
▪ Supplemental Housing Grant	7,690
▪ Technical Assistance Grant	17
▪ Utility Allowance Payments for Low Rent	8
▪ Veterans Affairs Supportive Housing	1,720
▪ Youth (TBRA)	146
Total Housing Grants and Subsidies Expenses	\$ 107,054

In addition to grant payments made, the Corporation had advanced grant funds of \$6,122,000 and committed to third parties a sum of \$76,416,000 in grant awards as of June 30, 2016.

20 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Description of Plans

As of June 30, 2016, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System ("PERS"). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post-employment healthcare plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008, when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan.

PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post-employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State. 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.

PERS audited financial statements are available at www.doa.alaska.gov/drb.

Defined Benefit Pension and Post Employment Health Care Plans (Employees hired prior to July 1, 2006)

Employee Benefits:

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.

NOTES TO FINANCIAL STATEMENTS

Employees hired between July 1, 1986, and 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 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. 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 between July 1, 1996, and June 30, 2006, 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.

This plan was closed to new entrants as of June 30, 2006.

Funding Policy:

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 fiscal year 2016, 13.25% of covered salary is for the pension plan and 8.75% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 27.19% for fiscal year 2016 and the employer rate of 22% is funded by the State.

The Corporation's contributions to the defined benefit post-employment healthcare plan for the year ended June 30, 2016, totaled \$1,334,000, and for the years ended June 30, 2015, and June 30, 2014, totaled \$1,543,000 and \$1,953,000, respectively.

Pension Liabilities:

At June 30, 2016, the Corporation reported a liability for its proportionate share to the net pension liability in the amount of \$37,859,000. This amount reflected State pension support provided to the Corporation in the amount of \$10,140,000. The total net pension liability associated with the Corporation was \$47,999,000.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to June 30, 2015.

Pension Expense:

For the year ended June 30, 2016, the Corporation recognized pension expense of \$7,703,000 and revenue of \$1,400,000 for support provided by the State.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of June 30, 2016, the Corporation's deferred outflows of resources related to pensions of \$5,741,000 were due to a change in its proportionate share of contributions to the pension plan of \$1,008,000, a difference between expected and actual experience of \$44,000, changes in assumptions of \$2,214,000 and contributions to the pension plan subsequent to the measurement date of \$2,475,000. The Corporation's deferred inflows of resources related to pension of \$670,000 were due to a difference between projected and actual investment earnings.

The amounts recognized as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
2017	\$ 5,187	\$ (168)	\$ 5,019
2018	28	(167)	(139)
2019	(263)	(168)	(431)
2020	789	(167)	622
	<u>\$ 5,741</u>	<u>\$ (670)</u>	<u>\$ 5,071</u>

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions:

The total pension liability for fiscal year ended June 30, 2016, was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015. The valuation was prepared assuming an inflation rate of 3.12%. Salary increases were determined by grading by age and service to range from 4.34% to 9.66%. Investment rate of return was calculated at 8.00%, net of pension plan investment expenses, based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

Mortality rates were based on the RP-2000 table, 2000 Base Year projected to 2018 with Projection scale BB.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	5.35 %
Global Equity (non-U.S.)	5.55
Private Equity	6.25
Fixed Income Composite	0.80
Real Estate	3.65
Alternative Equity	4.70

Discount rate:

The discount rate used to ensure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the Corporation and nonemployer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Corporation's proportionate share of the net pension liability using the discount rate of 8% and what it would be if the discount was 1% (7%) lower or 1% higher (9%), (in thousands).

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Corporation's proportionate share of the net pension liability	\$50,330	\$37,859	\$27,560

Defined Contribution Pension and Post-Employment Health Care Plans (*Employees hired on or after July 1, 2006*):

Employee Benefits

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

NOTES TO FINANCIAL STATEMENTS

Funding Policy

Under State law, covered employees are required to contribute 8% of their annual covered salary. For fiscal year 2016, the Corporation is required to contribute 5.22% 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 fiscal year 2016, the Corporation is required to contribute 1.68% of the annual covered salary plus an annual flat dollar amount of \$2,004.52 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 defined benefit plan's unfunded liability. For the year ended June 30, 2016, the Corporation paid additional contributions of \$754,000. These contributions equal \$454,000 for the defined benefit pension and \$300,000 for the defined benefit post-employment healthcare plans.

The contributions to the pension plan for the year ended June 30, 2016, by the employees totaled \$510,000 and by the Corporation totaled \$333,000.

The Corporation contributed \$316,000 to a health reimbursement arrangement for the year ended June 30, 2016.

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 \$2,592,000 as of June 30, 2016.

Litigation

The Corporation, in the normal course of its activities, is involved in various claims and pending litigation, the outcome of which is not presently determinable. In the opinion of management, the disposition of these matters is not presently expected to have a material adverse effect on the Corporation's financial statements.

Contingent Liabilities

The Corporation participates in several federally assisted programs. These programs are subject to program compliance audits and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the Administrative Fund. In management's opinion, disallowance, if any, will be immaterial.

Subsequent Events

In July 2016, the Corporation issued \$50,000,000 Collateralized Bonds (Veterans Mortgage Program) 2016 First and Second Series. The bonds are general obligations of the Corporation, but principal and interest on the bonds are also unconditionally guaranteed by the State of Alaska. The 2016 Collateralized Bonds are tax exempt and bear interest at fixed rates between 0.65% and 3.20% each June 1 and December 1 with a final maturity of December 1, 2046.

Also in July 2016, the Corporation defeased the remaining \$11,585,000 of Collateralized Bonds, 2007 First Series (the "Refunded Bonds"). Corporate funds were deposited into an irrevocable trust with an escrow agent to completely pay off the Refunded Bonds on the first optional redemption date in June 2017. The Refunded Bonds have been legally defeased, and, as of the defeasance date, the trust account assets and the liability for the Refunded Bonds have been removed from the Statement of Net Position.

In August 2016, the Corporation issued \$100,000,000 General Mortgage Revenue Bonds II 2016 Series A. The bonds are general obligations of the Corporation. The 2016 Series A bonds are tax exempt and bear interest at fixed rates between 0.45% and 3.50% payable each June 1 and December 1 with a final maturity of December 1, 2046.

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.

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,				
	2016	2015	2014	2013	2012
Assets					
Cash	\$ 70,104	\$ 50,348	\$ 77,026	\$ 59,207	\$ 64,631
Investments	615,588	816,244	1,063,200	1,218,693	1,231,890
Accrued interest receivable	12,325	11,606	12,357	11,559	12,423
Mortgage loans, notes and other loans	2,817,494	2,662,893	2,536,596	2,305,667	2,525,004
Net investment in direct financing lease	34,555	39,732	44,664	48,777	53,192
Unamortized bond issuance costs	-	-	-	10,855	14,110
Capital assets, net	109,821	116,057	120,248	125,483	125,366
Other assets	35,746	47,982	44,533	64,919	46,275
Derivative instrument - interest rate swaps	-	-	-	-	-
Total Assets	3,695,633	3,744,862	3,898,624	3,845,160	4,072,891
Deferred Outflow of Resources	234,921	171,440	156,579	136,070	215,757
Liabilities					
Bonds and notes payable	2,083,582	2,201,527	2,308,710	2,257,875	2,407,864
Short term debt	71,589	16,899	64,993	28,388	68,685
Accrued interest payable	9,628	9,397	10,147	9,947	11,323
Other liabilities	55,009	49,522	21,079	20,857	27,153
Derivative instrument - interest rate swaps	210,543	150,199	140,366	138,635	219,480
Total Liabilities	2,430,351	2,427,544	2,545,295	2,455,702	2,734,505
Deferred Inflow of Resources	670	3,277	-	-	-
Total Net Position	\$ 1,499,533	\$ 1,485,481	\$ 1,509,908	\$ 1,525,528	\$ 1,554,143
Operating Revenues					
Mortgage and loans revenue	\$ 128,942	\$ 126,140	\$ 120,740	\$ 125,059	\$ 147,078
Investment interest	3,595	4,388	6,532	6,385	6,793
Net change in fair value of investments	2,754	1,627	2,450	1,545	7,667
Net change of hedge termination	(552)	11	37	1,158	(1,765)
Total Investment Revenue	5,797	6,026	9,019	9,088	12,695
Externally funded programs	123,782	146,236	163,739	168,152	179,704
Rental	10,707	9,342	8,951	8,701	8,554
Other	4,952	2,355	5,637	4,325	3,147
Total Operating Revenues	274,180	290,099	308,086	315,325	351,178
Operating Expenses					
Interest	70,357	75,349	81,184	94,409	111,558
Mortgage and loan costs	10,836	11,327	9,442	10,098	11,131
Operations and administration	58,373	53,287	58,771	56,663	57,126
Financing expenses	3,556	5,064	4,415	12,419	7,807
Provision for loan loss	(5,831)	(5,741)	(5,688)	(4,753)	(1,542)
Housing grants and subsidies	107,054	125,222	149,188	150,460	179,194
Rental housing operating expenses	15,634	17,086	14,159	13,924	16,373
Total Operating Expenses	259,979	281,594	311,471	333,220	381,647
Operating Income (Loss)	14,201	8,505	(3,385)	(17,895)	(30,469)
Non-Operating & Special Item					
Contribution to State or State agency	(149)	(3,825)	(1,380)	(10,720)	(9,207)
Special item	-	-	-	-	-
Change in Net Position	\$ 14,052	\$ 4,680	\$ (4,765)	\$ (28,615)	\$ (39,676)

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Corporation's Proportionate Share of the Net Pension Liability (in thousands):

	2016	2015	2014
The Corporation's proportion of the net pension liability (asset)	0.78060000%	0.60821387%	0.59869601%
The Corporation's proportionate share of the net pension liability (asset)	\$ 37,859	\$ 28,368	\$ 31,440
State's proportionate share of the net pension liability (asset) associated with the Corporation	10,856	22,644	26,434
Total	<u>\$ 48,715</u>	<u>\$ 51,012</u>	<u>\$ 57,874</u>
The Corporation's covered employee payroll	\$ 15,252	\$ 16,314	\$ 17,189
The Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.22%	173.89%	182.91%
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%	56.04%

Information in this table is presented based on the Plan measurement date. For June 30, 2016, the plan measurement date is June 30, 2015.

This pension table is intended to present 10 years of information. Additional years will be added to the schedule as they become available.

The Plan is reporting no changes in benefit terms from the prior measurement period.

The Plan is reporting no changes in assumptions from the prior measurement period.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Corporation's Contributions (in thousands)

	2016		2015		2014
Contractually required contributions	\$	2,475	\$	2,403	\$ 2,128
Contributions in relation to the contractually required contributions		2,475		2,403	2,128
Contribution deficiency (excess)	\$	-	\$	-	\$ -
The Corporation's covered employee payroll		15,252		16,314	17,189
Contributions as a percentage of covered-employee payroll		16.23%		14.73%	12.38%

This table reports the Corporation's pension contributions to PERS during fiscal year 2016. These contributions are reported as a deferred outflow of resources on the June 30, 2016 basic financial statements.

This pension table is intended to present 10 years of information. Additional years will be added to the schedule as they become available.

The Plan is reporting no changes in benefit terms from the prior measurement period.

The Plan is reporting no changes in assumptions from the prior measurement period.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

COMBINED - ALL FUNDS

As of June 30, 2016

(in thousands of dollars)

	Administrative Fund	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
ASSETS				
Current				
Cash	\$ 32,550	\$ -	\$ -	\$ -
Investments	491,232	19,868	39,599	3,594
Accrued interest receivable	3,082	932	2,645	71
Inter-fund due to/from	(23,817)	4,368	13,011	471
Mortgage loans, notes and other loans	8,687	7,478	20,639	323
Net investment in direct financing lease	-	-	-	-
Other assets	4,311	-	-	-
Intergovernmental receivable	153	-	-	-
Total Current	516,198	32,646	75,894	4,459
Non Current				
Investments	1,491	-	-	-
Inter-fund due to/from	-	-	-	-
Mortgage loans, notes and other loans	281,325	281,210	724,740	13,748
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	2,483	-	-	-
Capital assets - depreciable, net	16,270	-	-	-
Other assets	6,413	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Non Current	307,982	281,210	724,740	13,748
Total Assets	824,180	313,856	800,634	18,207
DEFERRED OUTFLOW OF RESOURCES				
	5,741	-	189,851	-
LIABILITIES				
Current				
Bonds payable	-	8,976	2,455	450
Short term debt	71,589	-	-	-
Accrued interest payable	2,473	645	1,641	49
Other liabilities	7,022	88	289	6
Intergovernmental payable	-	-	-	-
Total Current	81,084	9,709	4,385	505
Non Current				
Bonds payable	-	245,347	538,587	11,135
Other liabilities	1,978	-	-	-
Derivative instrument - interest rate swaps	-	-	182,008	-
Intergovernmental payable	-	-	-	-
Pension liability	37,859	-	-	-
Total Non Current	39,837	245,347	720,595	11,135
Total Liabilities	120,921	255,056	724,980	11,640
DEFERRED INFLOW OF RESOURCES				
	670	-	-	-
NET POSITION				
Net investment in capital assets	18,753	-	-	-
Restricted by bond resolutions	-	58,800	265,505	6,567
Restricted by contractual or statutory agreements	59,693	-	-	-
Unrestricted or (deficit)	629,884	-	-	-
Total Net Position	\$ 708,330	\$ 58,800	\$ 265,505	\$ 6,567

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
\$ -	\$ 134	\$ 37,420	\$ 70,104
38,701	19,718	1,385	614,097
1,237	4,204	154	12,325
7,422	13,675	(15,130)	-
11,637	27,675	1,172	77,611
-	5,414	-	5,414
-	-	7,164	11,475
-	-	17,704	17,857
58,997	70,820	49,869	808,883
-	-	-	1,491
-	-	-	-
400,878	982,145	55,837	2,739,883
-	29,141	-	29,141
-	-	17,329	19,812
-	-	73,739	90,009
-	-	1	6,414
-	-	-	-
-	-	-	-
400,878	1,011,286	146,906	2,886,750
459,875	1,082,106	196,775	3,695,633
22,296	17,033	-	234,921
8,693	45,192	-	65,766
-	-	-	71,589
675	4,145	-	9,628
532	283	6,014	14,234
-	134	416	550
9,900	49,754	6,430	161,767
229,737	993,010	-	2,017,816
47	339	2	2,366
21,044	7,491	-	210,543
-	-	-	-
-	-	-	37,859
250,828	1,000,840	2	2,268,584
260,728	1,050,594	6,432	2,430,351
-	-	-	670
-	-	91,068	109,821
221,443	-	-	552,315
-	-	101,743	161,436
-	48,545	(2,468)	675,961
\$ 221,443	\$ 48,545	\$ 190,343	\$ 1,499,533

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ALASKA HOUSING FINANCE CORPORATION

Schedule 2

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION**ADMINISTRATIVE FUND**

As of June 30, 2016

(in thousands of dollars)

	Administrative Fund
ASSETS	
Current	
Cash	\$ 32,550
Investments	491,232
Accrued interest receivable	3,082
Inter-fund due to/from	(23,817)
Mortgage loans, notes and other loans	8,687
Net investment in direct financing lease	-
Other assets	4,311
Intergovernmental receivable	153
Total Current	516,198
Non Current	
Investments	1,491
Inter-fund due to/from	-
Mortgage loans, notes and other loans	281,325
Net investment in direct financing lease	-
Capital assets - non-depreciable	2,483
Capital assets - depreciable, net	16,270
Other assets	6,413
Derivative instrument - interest rate swaps	-
Intergovernmental receivable	-
Total Non Current	307,982
Total Assets	824,180
DEFERRED OUTFLOW OF RESOURCES	5,741
LIABILITIES	
Current	
Bonds payable	-
Short term debt	71,589
Accrued interest payable	2,473
Other liabilities	7,022
Intergovernmental payable	-
Total Current	81,084
Non Current	
Bonds payable	-
Other liabilities	1,978
Derivative instrument - interest rate swaps	-
Intergovernmental payable	-
Pension liability	37,859
Total Non Current	39,837
Total Liabilities	120,921
DEFERRED INFLOW OF RESOURCES	670
NET POSITION	
Net investment in capital assets	18,753
Restricted by bond resolutions	-
Restricted by contractual or statutory agreements	59,693
Unrestricted or (deficit)	629,884
Total Net Position	\$ 708,330

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ALASKA HOUSING FINANCE CORPORATION

Schedule 3

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of June 30, 2016

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
ASSETS			
Current			
Cash	\$ -	\$ -	\$ -
Investments	7,081	12,787	19,868
Accrued interest receivable	381	551	932
Inter-fund due to/from	1,734	2,634	4,368
Mortgage loans, notes and other loans	2,877	4,601	7,478
Net investment in direct financing lease	-	-	-
Other assets	-	-	-
Intergovernmental receivable	-	-	-
Total Current	12,073	20,573	32,646
Non Current			
Investments	-	-	-
Inter-fund due to/from	-	-	-
Mortgage loans, notes and other loans	109,593	171,617	281,210
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	-	-	-
Capital assets - depreciable, net	-	-	-
Other assets	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	-	-	-
Total Non Current	109,593	171,617	281,210
Total Assets	121,666	192,190	313,856
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Current			
Bonds payable	3,211	5,765	8,976
Short term debt	-	-	-
Accrued interest payable	323	322	645
Other liabilities	35	53	88
Intergovernmental payable	-	-	-
Total Current	3,569	6,140	9,709
Non Current			
Bonds payable	106,902	138,445	245,347
Other liabilities	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Pension liability	-	-	-
Total Non Current	106,902	138,445	245,347
Total Liabilities	110,471	144,585	255,056
DEFERRED INFLOW OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by bond resolutions	11,195	47,605	58,800
Restricted by contractual or statutory agreements	-	-	-
Unrestricted or (deficit)	-	-	-
Total Net Position	\$ 11,195	\$ 47,605	\$ 58,800

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of June 30, 2016

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2007 A	Bonds 2007 B	Bonds 2007 D
ASSETS				
Current				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	3,039	4,437	4,403	7,737
Accrued interest receivable	395	284	301	386
Inter-fund due to/from	1,341	1,375	1,649	1,468
Mortgage loans, notes and other loans	2,547	2,385	2,352	2,936
Net investment in direct financing lease	-	-	-	-
Other assets	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Current	7,322	8,481	8,705	12,527
Non Current				
Investments	-	-	-	-
Inter-fund due to/from	-	-	-	-
Mortgage loans, notes and other loans	93,765	82,725	80,758	104,338
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Non Current	93,765	82,725	80,758	104,338
Total Assets	101,087	91,206	89,463	116,865
DEFERRED OUTFLOW OF RESOURCES				
	7,891	27,983	27,968	33,175
LIABILITIES				
Current				
Bonds payable	-	765	765	925
Short term debt	-	-	-	-
Accrued interest payable	169	229	229	269
Other liabilities	62	39	34	34
Intergovernmental payable	-	-	-	-
Total Current	231	1,033	1,028	1,228
Non Current				
Bonds payable	59,042	74,235	74,235	88,445
Other liabilities	-	-	-	-
Derivative instrument - interest rate swaps	7,891	26,579	26,563	31,454
Intergovernmental payable	-	-	-	-
Pension liability	-	-	-	-
Total Non Current	66,933	100,814	100,798	119,899
Total Liabilities	67,164	101,847	101,826	121,127
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by bond resolutions	41,814	17,342	15,605	28,913
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted or (deficit)	-	-	-	-
Total Net Position	\$ 41,814	\$ 17,342	\$ 15,605	\$ 28,913

Schedule 4

Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
\$ -	\$ -	\$ -	\$ -
6,946	6,364	6,673	39,599
401	390	488	2,645
2,062	1,611	3,505	13,011
3,345	3,598	3,476	20,639
-	-	-	-
-	-	-	-
-	-	-	-
12,754	11,963	14,142	75,894
-	-	-	-
-	-	-	-
113,400	123,123	126,631	724,740
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
113,400	123,123	126,631	724,740
126,154	135,086	140,773	800,634
31,565	30,783	30,486	189,851
-	-	-	2,455
-	-	-	-
228	225	292	1,641
34	32	54	289
-	-	-	-
262	257	346	4,385
80,880	80,880	80,870	538,587
-	-	-	-
30,447	29,664	29,410	182,008
-	-	-	-
-	-	-	-
111,327	110,544	110,280	720,595
111,589	110,801	110,626	724,980
-	-	-	-
-	-	-	-
46,130	55,068	60,633	265,505
-	-	-	-
-	-	-	-
\$ 46,130	\$ 55,068	\$ 60,633	\$ 265,505

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ALASKA HOUSING FINANCE CORPORATION

Schedule 5

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of June 30, 2016

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
ASSETS			
Current			
Cash	\$ -	\$ -	\$ -
Investments	-	3,594	3,594
Accrued interest receivable	-	71	71
Inter-fund due to/from	-	471	471
Mortgage loans, notes and other loans	-	323	323
Net investment in direct financing lease	-	-	-
Other assets	-	-	-
Intergovernmental receivable	-	-	-
Total Current	-	4,459	4,459
Non Current			
Investments	-	-	-
Inter-fund due to/from	-	-	-
Mortgage loans, notes and other loans	-	13,748	13,748
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	-	-	-
Capital assets - depreciable, net	-	-	-
Other assets	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	-	-	-
Total Non Current	-	13,748	13,748
Total Assets	-	18,207	18,207
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Current			
Bonds payable	-	450	450
Short term debt	-	-	-
Accrued interest payable	-	49	49
Other liabilities	-	6	6
Intergovernmental payable	-	-	-
Total Current	-	505	505
Non Current			
Bonds payable	-	11,135	11,135
Other liabilities	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Pension liability	-	-	-
Total Non Current	-	11,135	11,135
Total Liabilities	-	11,640	11,640
DEFERRED INFLOW OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by bond resolutions	-	6,567	6,567
Restricted by contractual or statutory agreements	-	-	-
Unrestricted or (deficit)	-	-	-
Total Net Position	\$ -	\$ 6,567	\$ 6,567

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ALASKA HOUSING FINANCE CORPORATION

Schedule 6

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION**OTHER HOUSING BONDS**

As of June 30, 2016

(in thousands of dollars)

	General Mortgage Revenue Bonds II 2012 A & B	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
ASSETS				
Current				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	13,210	6,298	19,193	38,701
Accrued interest receivable	434	211	592	1,237
Inter-fund due to/from	2,900	-	4,522	7,422
Mortgage loans, notes and other loans	5,523	482	5,632	11,637
Net investment in direct financing lease	-	-	-	-
Other assets	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Current	22,067	6,991	29,939	58,997
Non Current				
Investments	-	-	-	-
Inter-fund due to/from	-	-	-	-
Mortgage loans, notes and other loans	184,369	15,580	200,929	400,878
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Non Current	184,369	15,580	200,929	400,878
Total Assets	206,436	22,571	230,868	459,875
DEFERRED OUTFLOW OF RESOURCES	1,252	-	21,044	22,296
LIABILITIES				
Current				
Bonds payable	3,470	-	5,223	8,693
Short term debt	-	-	-	-
Accrued interest payable	359	5	311	675
Other liabilities	41	3	488	532
Intergovernmental payable	-	-	-	-
Total Current	3,870	8	6,022	9,900
Non Current				
Bonds payable	117,930	14,600	97,207	229,737
Other liabilities	-	-	47	47
Derivative instrument - interest rate swaps	-	-	21,044	21,044
Intergovernmental payable	-	-	-	-
Pension liability	-	-	-	-
Total Non Current	117,930	14,600	118,298	250,828
Total Liabilities	121,800	14,608	124,320	260,728
DEFERRED INFLOW OF RESOURCES	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by bond resolutions	85,888	7,963	127,592	221,443
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted or (deficit)	-	-	-	-
Total Net Position	\$ 85,888	\$ 7,963	\$ 127,592	\$ 221,443

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

NON-HOUSING BONDS

As of June 30, 2016

(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	State Capital Project Bonds II 2012 A & B
ASSETS					
Current					
Cash	\$ -	\$ -	\$ 134	\$ -	\$ -
Investments	4,878	-	123	1,308	1,430
Accrued interest receivable	212	-	42	309	521
Inter-fund due to/from	644	-	48	1,621	932
Mortgage loans, notes and other loans	1,253	-	(287)	2,229	2,131
Net investment in direct financing lease	-	-	2,049	-	-
Other assets	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Current	6,987	-	2,109	5,467	5,014
Non Current					
Investments	-	-	-	-	-
Inter-fund due to/from	-	-	-	-	-
Mortgage loans, notes and other loans	44,026	-	5,161	76,360	86,534
Net investment in direct financing lease	-	-	29,141	-	-
Capital assets - non-depreciable	-	-	-	-	-
Capital assets - depreciable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Non Current	44,026	-	34,302	76,360	86,534
Total Assets	51,013	-	36,411	81,827	91,548
DEFERRED OUTFLOW OF RESOURCES	4,423	-	930	-	-
LIABILITIES					
Current					
Bonds payable	5,510	-	4,068	2,511	5,458
Short term debt	-	-	-	-	-
Accrued interest payable	1,098	-	125	306	317
Other liabilities	24	-	3	24	21
Intergovernmental payable	-	-	134	-	-
Total Current	6,632	-	4,330	2,841	5,796
Non Current					
Bonds payable	34,910	-	28,751	73,089	85,456
Other liabilities	-	-	-	-	-
Derivative instrument - interest rate swaps	7,491	-	-	-	-
Intergovernmental payable	-	-	-	-	-
Pension liability	-	-	-	-	-
Total Non Current	42,401	-	28,751	73,089	85,456
Total Liabilities	49,033	-	33,081	75,930	91,252
DEFERRED INFLOW OF RESOURCES	-	-	-	-	-
NET POSITION					
Net investment in capital assets	-	-	-	-	-
Restricted by bond resolutions	-	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-	-
Unrestricted or (deficit)	6,403	-	4,260	5,897	296
Total Net Position	\$ 6,403	\$ -	\$ 4,260	\$ 5,897	\$ 296

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	State Capital Project Bonds II 2015 C	General Housing Purpose Bonds 2005 B & C	Combined Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134
1,454	1,703	586	1,977	636	2,082	2,220	1,321	-	19,718
799	395	128	402	289	475	416	216	-	4,204
1,249	2,009	566	1,557	800	1,673	1,927	649	-	13,675
3,860	2,687	788	4,309	2,734	3,155	2,985	1,831	-	27,675
-	-	-	-	-	3,365	-	-	-	5,414
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7,362	6,794	2,068	8,245	4,459	10,750	7,548	4,017	-	70,820
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
142,387	99,095	29,567	145,370	88,398	109,523	96,521	59,203	-	982,145
-	-	-	-	-	-	-	-	-	29,141
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
142,387	99,095	29,567	145,370	88,398	109,523	96,521	59,203	-	1,011,286
149,749	105,889	31,635	153,615	92,857	120,273	104,069	63,220	-	1,082,106
-	-	-	-	-	5,173	4,694	1,813	-	17,033
4,468	7,173	2,093	-	1,703	6,300	1,888	4,020	-	45,192
-	-	-	-	-	-	-	-	-	-
386	383	118	112	325	405	348	222	-	4,145
23	28	11	38	27	38	30	16	-	283
-	-	-	-	-	-	-	-	-	134
4,877	7,584	2,222	150	2,055	6,743	2,266	4,258	-	49,754
140,910	94,826	29,746	140,000	88,589	118,524	98,735	59,474	-	993,010
-	-	-	-	-	339	-	-	-	339
-	-	-	-	-	-	-	-	-	7,491
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
140,910	94,826	29,746	140,000	88,589	118,863	98,735	59,474	-	1,000,840
145,787	102,410	31,968	140,150	90,644	125,606	101,001	63,732	-	1,050,594
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,962	3,479	(333)	13,465	2,213	(160)	7,762	1,301	-	48,545
\$ 3,962	\$ 3,479	\$ (333)	\$ 13,465	\$ 2,213	\$ (160)	\$ 7,762	\$ 1,301	\$ -	\$ 48,545

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

OTHER PROGRAM FUNDS

As of June 30, 2016

(in thousands of dollars)

	Energy Programs	Section 8 Vouchers Programs	Other Grants	Subtotal Grant Programs
ASSETS				
Current				
Cash	\$ 1,000	\$ 5,002	\$ 207	\$ 6,209
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(3,063)	(3,050)	(1,119)	(7,232)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Other assets	621	296	5,501	6,418
Intergovernmental receivable	9,751	103	7,633	17,487
Total Current	8,309	2,351	12,222	22,882
Non Current				
Investments	-	-	-	-
Inter-fund due to/from	-	-	1,425	1,425
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	43	-	43
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Non Current	-	43	1,425	1,468
Total Assets	8,309	2,394	13,647	24,350
DEFERRED OUTFLOW OF RESOURCES				
	-	-	-	-
LIABILITIES				
Current				
Bonds payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	2,064	109	2,561	4,734
Intergovernmental payable	-	-	-	-
Total Current	2,064	109	2,561	4,734
Non Current				
Bonds payable	-	-	-	-
Other liabilities	-	1	-	1
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Pension liability	-	-	-	-
Total Non Current	-	1	-	1
Total Liabilities	2,064	110	2,561	4,735
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	43	-	43
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	7,488	2,351	11,194	21,033
Unrestricted or (deficit)	(1,243)	(110)	(108)	(1,461)
Total Net Position	\$ 6,245	\$ 2,284	\$ 11,086	\$ 19,615

Schedule 8

Low Rent Program	Market Rate Rental Housing Programs	Home Ownership Fund	Senior Housing Revolving Loan Fund	Subtotal Other Funds or Programs	Alaska Corporation for Affordable Housing	Combined Total
\$ 12,255	\$ 11,686	\$ -	\$ -	\$ 23,941	\$ 7,270	\$ 37,420
-	-	390	995	1,385	-	1,385
-	-	25	81	106	48	154
(1,228)	(1,130)	51	268	(2,039)	(5,859)	(15,130)
-	-	339	833	1,172	-	1,172
-	-	-	-	-	-	-
603	63	(1)	-	665	81	7,164
211	6	-	-	217	-	17,704
11,841	10,625	804	2,177	25,447	1,540	49,869
-	-	-	-	-	-	-
-	-	-	-	-	(1,425)	-
-	-	10,946	27,706	38,652	17,185	55,837
-	-	-	-	-	-	-
12,533	1,129	-	-	13,662	3,667	17,329
55,465	18,231	-	-	73,696	-	73,739
-	-	-	-	-	1	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
67,998	19,360	10,946	27,706	126,010	19,428	146,906
79,839	29,985	11,750	29,883	151,457	20,968	196,775
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
978	291	2	7	1,278	2	6,014
416	-	-	-	416	-	416
1,394	291	2	7	1,694	2	6,430
-	-	-	-	-	-	-
-	1	-	-	1	-	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1	-	-	1	-	2
1,394	292	2	7	1,695	2	6,432
-	-	-	-	-	-	-
67,998	19,360	-	-	87,358	3,667	91,068
-	-	-	-	-	-	-
11,216	10,571	11,748	29,876	63,411	17,299	101,743
(769)	(238)	-	-	(1,007)	-	(2,468)
\$ 78,445	\$ 29,693	\$ 11,748	\$ 29,876	\$ 149,762	\$ 20,966	\$ 190,343

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

COMBINED - ALL FUNDS

For the Year Ended June 30, 2016

(in thousands of dollars)

	Administrative Fund	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
OPERATING REVENUES				
Mortgage and loans revenue	\$ 11,566	\$ 11,904	\$ 33,656	\$ 3,645
Investment interest	340	173	287	67
Net change in the fair value of investments	2,896	3	6	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	3,236	176	293	67
Externally funded programs	1,519	-	-	-
Rental	356	-	-	-
Other	2,535	-	-	-
Total Operating Revenues	19,212	12,080	33,949	3,712
OPERATING EXPENSES				
Interest	87	8,205	21,797	2,256
Mortgage and loan costs	1,446	1,121	2,932	291
Financing expenses	285	28	2,510	7
Provision for loan loss	1,021	(1,351)	(2,190)	(1,049)
Operations and administration	26,863	532	1,278	83
Rental housing operating expenses	22	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	29,724	8,535	26,327	1,588
Operating Income (Loss)	(10,512)	3,545	7,622	2,124
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(149)	-	-	-
Special Item	-	-	-	-
Transfers - Internal	(30,273)	1,017	1,075	(29,121)
Change in Net Position	(40,934)	4,562	8,697	(26,997)
Net position at beginning of year	749,264	54,238	256,808	33,564
Net Position at End of Period	\$ 708,330	\$ 58,800	\$ 265,505	\$ 6,567

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
\$ 15,666	\$ 51,316	\$ 1,189	\$ 128,942
628	1,854	246	3,595
6	-	(157)	2,754
-	(552)	-	(552)
634	1,302	89	5,797
-	-	122,263	123,782
-	-	10,351	10,707
-	-	2,417	4,952
16,300	52,618	136,309	274,180
8,368	29,644	-	70,357
1,327	3,616	103	10,836
109	617	-	3,556
(676)	(2,313)	727	(5,831)
555	1,955	27,107	58,373
-	-	15,612	15,634
-	-	107,054	107,054
9,683	33,519	150,603	259,979
6,617	19,099	(14,294)	14,201
-	-	-	(149)
-	-	-	-
4,613	29,641	23,048	-
11,230	48,740	8,754	14,052
210,213	(195)	181,589	1,485,481
\$ 221,443	\$ 48,545	\$ 190,343	\$ 1,499,533

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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 POSITION

Administrative Fund

For the Year Ended June 30, 2016

(in thousands of dollars)

	Administrative Fund
OPERATING REVENUES	
Mortgage and loans revenue	\$ 11,566
Investment interest	340
Net change in the fair value of investments	2,896
Net change of hedge termination	-
Total Investment Revenue	3,236
Externally funded programs	1,519
Rental	356
Other	2,535
Total Operating Revenues	19,212
OPERATING EXPENSES	
Interest	87
Mortgage and loan costs	1,446
Financing expenses	285
Provision for loan loss	1,021
Operations and administration	26,863
Rental housing operating expenses	22
Housing grants and subsidies	-
Total Operating Expenses	29,724
Operating Income (Loss)	(10,512)
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS	
Contributions to the State of Alaska or other State agencies	(149)
Special Item	-
Transfers - Internal	(30,273)
Change in Net Position	(40,934)
Net position at beginning of year	749,264
Net Position at End of Period	\$ 708,330

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ALASKA HOUSING FINANCE CORPORATION

Schedule 11

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2016

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	\$ 4,893	\$ 7,011	\$ 11,904
Investment interest	70	103	173
Net change in the fair value of investments	1	2	3
Net change of hedge termination	-	-	-
Total Investment Revenue	71	105	176
Externally funded programs	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	4,964	7,116	12,080
OPERATING EXPENSES			
Interest	4,037	4,168	8,205
Mortgage and loan costs	447	674	1,121
Financing expenses	12	16	28
Provision for loan loss	(502)	(849)	(1,351)
Operations and administration	196	336	532
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	4,190	4,345	8,535
Operating Income (Loss)	774	2,771	3,545
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Item	-	-	-
Transfers - Internal	523	494	1,017
Change in Net Position	1,297	3,265	4,562
Net position at beginning of year	9,898	44,340	54,238
Net Position at End of Period	\$ 11,195	\$ 47,605	\$ 58,800

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2016

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2007 A	Bonds 2007 B	Bonds 2007 D
OPERATING REVENUES				
Mortgage and loans revenue	\$ 5,439	\$ 3,900	\$ 3,978	\$ 5,066
Investment interest	71	30	29	38
Net change in the fair value of investments	-	1	1	1
Net change of hedge termination	-	-	-	-
Total Investment Revenue	71	31	30	39
Externally funded programs	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	5,510	3,931	4,008	5,105
OPERATING EXPENSES				
Interest	4,321	2,741	2,739	3,254
Mortgage and loan costs	479	366	349	436
Financing expenses	650	142	147	160
Provision for loan loss	(504)	(202)	(189)	(347)
Operations and administration	259	151	140	182
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	5,205	3,198	3,186	3,685
Operating Income (Loss)	305	733	822	1,420
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Item	-	-	-	-
Transfers - Internal	(1,273)	379	(930)	474
Change in Net Position	(968)	1,112	(108)	1,894
Net position at beginning of year	42,782	16,230	15,713	27,019
Net Position at End of Period	\$ 41,814	\$ 17,342	\$ 15,605	\$ 28,913

Schedule 12

Bonds 2009 A		Bonds 2009 B		Bonds 2009 D		Home Mortgage Revenue Bonds Combined Total
\$	4,643	\$	4,983	\$	5,647	\$ 33,656
	38		40		41	287
	1		1		1	6
	-		-		-	-
	39		41		42	293
	-		-		-	-
	-		-		-	-
	-		-		-	-
	4,682		5,024		5,689	33,949
	2,922		2,911		2,909	21,797
	395		425		482	2,932
	463		373		575	2,510
	(208)		(233)		(507)	(2,190)
	161		179		206	1,278
	-		-		-	-
	-		-		-	-
	3,733		3,655		3,665	26,327
	949		1,369		2,024	7,622
	-		-		-	-
	-		-		-	-
	809		689		927	1,075
	1,758		2,058		2,951	8,697
	44,372		53,010		57,682	256,808
\$	46,130	\$	55,068	\$	60,633	\$ 265,505

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ALASKA HOUSING FINANCE CORPORATION

Schedule 13

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2016

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	\$ 2,734	\$ 911	\$ 3,645
Investment interest	51	16	67
Net change in the fair value of investments	-	-	-
Net change of hedge termination	-	-	-
Total Investment Revenue	51	16	67
Externally funded programs	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	2,785	927	3,712
OPERATING EXPENSES			
Interest	1,601	655	2,256
Mortgage and loan costs	219	72	291
Financing expenses	5	2	7
Provision for loan loss	(902)	(147)	(1,049)
Operations and administration	58	25	83
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	981	607	1,588
Operating Income (Loss)	1,804	320	2,124
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Item	-	-	-
Transfers - Internal	(29,148)	27	(29,121)
Change in Net Position	(27,344)	347	(26,997)
Net position at beginning of year	27,344	6,220	33,564
Net Position at End of Period	\$ -	\$ 6,567	\$ 6,567

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ALASKA HOUSING FINANCE CORPORATION

Schedule 14

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OTHER HOUSING BONDS

For the Year Ended June 30, 2016

(in thousands of dollars)

	General Mortgage Revenue Bonds II 2012 A & B	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
OPERATING REVENUES				
Mortgage and loans revenue	\$ 6,727	\$ 493	\$ 8,446	\$ 15,666
Investment interest	61	37	530	628
Net change in the fair value of investments	2	1	3	6
Net change of hedge termination	-	-	-	-
Total Investment Revenue	63	38	533	634
Externally funded programs	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	6,790	531	8,979	16,300
OPERATING EXPENSES				
Interest	4,290	18	4,060	8,368
Mortgage and loan costs	569	-	758	1,327
Financing expenses	10	37	62	109
Provision for loan loss	(53)	13	(636)	(676)
Operations and administration	235	-	320	555
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	5,051	68	4,564	9,683
Operating Income (Loss)	1,739	463	4,415	6,617
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Item	-	-	-	-
Transfers - Internal	7,277	35	(2,699)	4,613
Change in Net Position	9,016	498	1,716	11,230
Net position at beginning of year	76,872	7,465	125,876	210,213
Net Position at End of Period	\$ 85,888	\$ 7,963	\$ 127,592	\$ 221,443

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

NON-HOUSING BONDS

For the Year Ended June 30, 2016

(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	State Capital Project Bonds II 2012 A & B
OPERATING REVENUES					
Mortgage and loans revenue	\$ 2,359	\$ 1,004	\$ 393	\$ 4,064	\$ 5,112
Investment interest	19	12	1,333	22	18
Net change in the fair value of investments	-	-	-	-	-
Net change of hedge termination	(552)	-	-	-	-
Total Investment Revenue	(533)	12	1,333	22	18
Externally funded programs	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	-	-
Total Operating Revenues	1,826	1,016	1,726	4,086	5,130
OPERATING EXPENSES					
Interest	2,259	785	1,621	3,469	2,559
Mortgage and loan costs	190	67	32	317	278
Financing expenses	62	3	15	5	5
Provision for loan loss	(123)	(630)	(282)	(119)	(581)
Operations and administration	107	20	16	657	77
Rental housing operating expenses	-	-	-	-	-
Housing grants and subsidies	-	-	-	-	-
Total Operating Expenses	2,495	245	1,402	4,329	2,338
Operating Income (Loss)	(669)	771	324	(243)	2,792
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	-	-	-	-
Special Item	-	-	-	-	-
Transfers - Internal	5,312	(3,784)	270	(9,229)	4,112
Change in Net Position	4,643	(3,013)	594	(9,472)	6,904
Net position at beginning of year	1,760	3,013	3,666	15,369	(6,608)
Net Position at End of Period	\$ 6,403	\$ -	\$ 4,260	\$ 5,897	\$ 296

Schedule 15

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	State Capital Project Bonds II 2015 C	General Housing Purpose Bonds 2005 B & C	Combined Total
\$ 9,243	\$ 4,934	\$ 1,568	\$ 6,085	\$ 3,975	\$ 5,601	\$ 5,368	\$ 1,610	\$ -	\$ 51,316
23	29	10	32	16	301	28	11	-	1,854
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(552)
23	29	10	32	16	301	28	11	-	1,302
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
9,266	4,963	1,578	6,117	3,991	5,902	5,396	1,621	-	52,618
3,145	3,304	819	1,165	2,299	4,066	3,239	914	-	29,644
278	369	141	571	385	464	398	126	-	3,616
8	6	2	8	5	8	152	338	-	617
(506)	(320)	(115)	(81)	18	(197)	7	616	-	(2,313)
79	97	79	193	126	214	203	87	-	1,955
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,004	3,456	926	1,856	2,833	4,555	3,999	2,081	-	33,519
6,262	1,507	652	4,261	1,158	1,347	1,397	(460)	-	19,099
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,801	10,270	2,818	8,074	(5,947)	11,410	826	1,761	(53)	29,641
10,063	11,777	3,470	12,335	(4,789)	12,757	2,223	1,301	(53)	48,740
(6,101)	(8,298)	(3,803)	1,130	7,002	(12,917)	5,539	-	53	(195)
\$ 3,962	\$ 3,479	\$ (333)	\$ 13,465	\$ 2,213	\$ (160)	\$ 7,762	\$ 1,301	\$ -	\$ 48,545

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OTHER PROGRAM FUNDS

For the Year Ended June 30, 2016

(in thousands of dollars)

	Energy Programs	Section 8 Vouchers Programs	Other Grants	Subtotal Grant Programs
OPERATING REVENUES				
Mortgage and loans revenue	\$ -	\$ -	\$ -	\$ -
Investment interest	2	8	-	10
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2	8	-	10
Externally funded programs	38,987	39,046	31,289	109,322
Rental	-	-	-	-
Other	2	6	674	682
Total Operating Revenues	38,991	39,060	31,963	110,014
OPERATING EXPENSES				
Interest	-	-	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	4,069	5,030	2,686	11,785
Rental housing operating expenses	65	212	187	464
Housing grants and subsidies	37,979	35,921	33,146	107,046
Total Operating Expenses	42,113	41,163	36,019	119,295
Operating Income (Loss)	(3,122)	(2,103)	(4,056)	(9,281)
NON-OPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Item	-	-	-	-
Transfers - Internal	3,627	670	4,812	9,109
Change in Net Position	505	(1,433)	756	(172)
Net position at beginning of year	5,740	3,717	10,330	19,787
Net Position at End of Period	\$ 6,245	\$ 2,284	\$ 11,086	\$ 19,615

Schedule 16

Low Rent Program	Market Rate Rental Housing Programs	Home Ownership Fund	Senior Housing Revolving Loan Fund	Subtotal Other Funds or Programs	Alaska Corporation for Affordable Housing	Combined Total
\$ -	\$ -	\$ 208	\$ 933	\$ 1,141	\$ 48	\$ 1,189
2	2	85	143	232	4	246
-	-	(59)	(98)	(157)	-	(157)
-	-	-	-	-	-	-
2	2	26	45	75	4	89
10,800	2,141	-	-	12,941	-	122,263
7,772	2,363	-	-	10,135	216	10,351
1,684	2	-	-	1,686	49	2,417
20,258	4,508	234	978	25,978	317	136,309
-	-	-	-	-	-	-
-	-	21	82	103	-	103
-	-	-	-	-	-	-
-	-	113	144	257	470	727
12,191	3,072	8	29	15,300	22	27,107
12,167	2,967	-	-	15,134	14	15,612
8	-	-	-	8	-	107,054
24,366	6,039	142	255	30,802	506	150,603
(4,108)	(1,531)	92	723	(4,824)	(189)	(14,294)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,404	1,491	34	98	3,027	10,912	23,048
(2,704)	(40)	126	821	(1,797)	10,723	8,754
81,149	29,733	11,622	29,055	151,559	10,243	181,589
\$ 78,445	\$ 29,693	\$ 11,748	\$ 29,876	\$ 149,762	\$ 20,966	\$ 190,343

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, 2016

(in thousands of dollars)

	Administrative Fund	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest income on mortgages and loans	\$ 7,211	\$ 10,963	\$ 31,216	\$ 3,571
Principal payments received on mortgages and loans	5,947	39,637	104,880	15,391
Disbursements to fund mortgages and loans	(477,080)	-	-	-
Receipt (payment) for loan transfers between funds	294,146	(35,527)	(72,186)	1,144
Mortgage and loan proceeds	430,114	-	-	-
Payment of mortgage and loan proceeds to funds	(433,825)	-	-	-
Payments to employees and other payroll disbursements	(25,709)	-	-	-
Payments for goods and services	(8,912)	1	(140)	-
Cash received for externally funded programs	1,519	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund receipts (payments)	(9,361)	-	(1)	-
Grant payments to other agencies	(232)	-	-	-
Other operating cash receipts	12,872	-	-	-
Other operating cash payments	(1,559)	-	-	-
Net cash provided by (used for) operating activities	(204,869)	15,074	63,769	20,106
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from the issuance of bonds	-	-	80,881	-
Principal paid on bonds	-	(28,815)	(105,186)	(45,270)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(320)	-	-	-
Interest paid	(59)	(8,244)	(19,900)	(2,434)
Proceeds from issuance of short term debt	267,508	-	-	-
Payment of short term debt	(212,847)	-	-	-
Contributions to the State of Alaska or other State agencies	(149)	-	-	-
Transfers (to) from other funds	(62)	72	(7,435)	19,414
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing	54,071	(36,987)	(51,640)	(28,290)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(693)	-	-	-
Proceeds from the disposal of capital assets	1,748	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from direct financing leases	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	1,055	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,688,304)	(308,379)	(346,628)	(85,473)
Proceeds from maturity of investments	2,845,865	330,119	334,207	93,589
Interest received from investments	390	173	292	68
Net cash provided by (used for) investing activities	157,951	21,913	(12,129)	8,184
Net Increase (decrease) in cash	8,208	-	-	-
Cash at the beginning of year	24,342	-	-	-
Cash at the end of period	\$ 32,550	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (10,512)	\$ 3,545	\$ 7,622	\$ 2,124
<i>Adjustments:</i>				
Depreciation expense	606	-	-	-
Provision for loan losses	1,021	(1,351)	(2,190)	(1,049)
Net change in the fair value of investments	(2,896)	(3)	(6)	-
Transfers between funds for operating activity	(26,857)	771	4,015	(258)
Interest received from investments	(390)	(173)	(292)	(68)
Interest paid	59	8,244	19,900	2,434
<i>Changes in assets, liabilities and deferred resources:</i>				
Net (increase) decrease in mortgages and loans	(176,987)	4,110	32,694	16,535
Net increase (decrease) in assets, liabilities, and deferred resources	11,087	(69)	2,026	388
Net cash provided by (used for) operating activities	\$ (204,869)	\$ 15,074	\$ 63,769	\$ 20,106

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
\$ 14,329	\$ 48,119	\$ 1,003	\$ 116,412
53,998	109,310	2,866	332,029
-	-	(10,819)	(487,899)
(45,691)	(111,542)	(30,344)	-
-	-	-	430,114
-	-	-	(433,825)
-	-	(14,496)	(40,205)
-	-	(15,388)	(24,439)
-	-	95,241	96,760
-	-	33,118	33,118
-	-	(35,934)	(35,934)
-	-	9,362	-
-	-	(66,831)	(67,063)
-	109	11,624	24,605
-	(148)	(118)	(1,825)
22,636	45,848	(20,716)	(58,152)
-	22,156	-	103,037
(12,900)	(16,778)	-	(208,949)
-	-	-	-
-	-	-	(320)
(8,132)	(36,483)	-	(75,252)
-	-	-	267,508
-	-	-	(212,847)
-	-	-	(149)
(7)	(17,500)	5,518	-
-	-	-	-
(21,039)	(48,605)	5,518	(126,972)
-	-	(697)	(1,390)
-	-	6	1,754
-	-	-	-
-	(5,217)	-	(5,217)
-	-	-	-
-	(2,703)	-	(2,703)
-	6,771	-	6,771
-	-	-	-
-	(1,149)	(691)	(785)
(260,151)	(404,539)	(29,195)	(4,122,669)
257,859	408,145	56,291	4,326,075
695	260	381	2,259
(1,597)	3,866	27,477	205,665
-	(40)	11,588	19,756
-	174	25,832	50,348
\$ -	\$ 134	\$ 37,420	\$ 70,104
\$ 6,617	\$ 19,099	\$ (14,294)	\$ 14,201
-	450	6,391	7,447
(676)	(2,313)	727	(5,831)
(6)	-	157	(2,754)
766	2,391	19,172	-
(695)	(260)	(381)	(2,259)
8,132	39,186	-	77,955
8,307	(2,232)	(38,297)	(155,870)
191	(10,473)	5,809	8,959
\$ 22,636	\$ 45,848	\$ (20,716)	\$ (58,152)

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ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS**ADMINISTRATIVE FUND**

For the Year Ended June 30, 2016

(in thousands of dollars)

Schedule 18

	Administrative Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest income on mortgages and loans	\$ 7,211
Principal payments received on mortgages and loans	5,947
Disbursements to fund mortgages and loans	(477,080)
Receipt (payment) for loan transfers between funds	294,146
Mortgage and loan proceeds	430,114
Payment of mortgage and loan proceeds to funds	(433,825)
Payments to employees and other payroll disbursements	(25,709)
Payments for goods and services	(8,912)
Cash received for externally funded programs	1,519
Cash received for Federal HAP subsidies	-
Payments for Federal HAP subsidies	-
Interfund receipts (payments)	(9,361)
Grant payments to other agencies	(232)
Other operating cash receipts	12,872
Other operating cash payments	(1,559)
Net cash provided by (used for) operating activities	(204,869)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Proceeds from the issuance of bonds	-
Principal paid on bonds	-
Payment to defease bonds	-
Payment of bond issuance costs	(320)
Interest paid	(59)
Proceeds from issuance of short term debt	267,508
Payment of short term debt	(212,847)
Contributions to the State of Alaska or other State agencies	(149)
Transfers (to) from other funds	(62)
Other cash payments	-
Net cash provided by (used for) noncapital financing activities	54,071
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(693)
Proceeds from the disposal of capital assets	1,748
Proceeds from the issuance of capital notes	-
Principal paid on capital notes	-
Payment of bond issuance costs	-
Interest paid on capital notes	-
Proceeds from direct financing leases	-
Other cash payments	-
Net cash provided by (used for) capital financing activities	1,055
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,688,304)
Proceeds from maturity of investments	2,845,865
Interest received from investments	390
Net cash provided by (used for) investing activities	157,951
Net Increase (decrease) in cash	8,208
Cash at the beginning of year	24,342
Cash at the end of period	\$ 32,550
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (10,512)
<i>Adjustments:</i>	
Depreciation expense	606
Provision for loan losses	1,021
Net change in the fair value of investments	(2,896)
Transfers between funds for operating activity	(26,857)
Interest received from investments	(390)
Interest paid	59
<i>Changes in assets, liabilities and deferred resources:</i>	
Net (increase) decrease in mortgages and loans	(176,987)
Net increase (decrease) in assets, liabilities, and deferred resources	11,087
Net cash provided by (used for) operating activities	\$ (204,869)

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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, 2016

(in thousands of dollars)

Schedule 19

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income on mortgages and loans	\$ 4,511	\$ 6,452	\$ 10,963
Principal payments received on mortgages and loans	13,237	26,400	39,637
Disbursements to fund mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	(18,081)	(17,446)	(35,527)
Mortgage and loan proceeds	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-
Payments to employees and other payroll disbursements	-	-	-
Payments for goods and services	1	-	1
Cash received for externally funded programs	-	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund receipts (payments)	-	-	-
Grant payments to other agencies	-	-	-
Other operating cash receipts	-	-	-
Other operating cash payments	-	-	-
Net cash provided by (used for) operating activities	(332)	15,406	15,074
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(8,340)	(20,475)	(28,815)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(4,037)	(4,207)	(8,244)
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	91	(19)	72
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	(12,286)	(24,701)	(36,987)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Proceeds from the disposal of capital assets	-	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid on capital notes	-	-	-
Proceeds from direct financing leases	-	-	-
Other cash payments	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(127,247)	(181,132)	(308,379)
Proceeds from maturity of investments	139,795	190,324	330,119
Interest received from investments	70	103	173
Net cash provided by (used for) investing activities	12,618	9,295	21,913
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)	\$ 774	\$ 2,771	\$ 3,545
<i>Adjustments:</i>			
Depreciation expense	-	-	-
Provision for loan losses	(502)	(849)	(1,351)
Net change in the fair value of investments	(1)	(2)	(3)
Transfers between funds for operating activity	311	460	771
Interest received from investments	(70)	(103)	(173)
Interest paid	4,037	4,207	8,244
<i>Changes in assets, liabilities and deferred resources:</i>			
Net (increase) decrease in mortgages and loans	(4,844)	8,954	4,110
Net increase (decrease) in assets, liabilities, and deferred resources	(37)	(32)	(69)
Net cash provided by (used for) operating activities	\$ (332)	\$ 15,406	\$ 15,074

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, 2016

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2007 A	Bonds 2007 B	Bonds 2007 D
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest income on mortgages and loans	\$ 5,046	\$ 3,607	\$ 3,715	\$ 4,718
Principal payments received on mortgages and loans	15,576	12,885	11,674	16,560
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(3,154)	(10,531)	(8,411)	(12,099)
Mortgage and loan proceeds	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-
Payments to employees and other payroll disbursements	-	-	-	-
Payments for goods and services	(140)	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund receipts (payments)	(1)	-	-	-
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	17,327	5,961	6,978	9,179
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(24,305)	-	-	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(2,786)	(2,673)	(2,670)	(3,175)
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	(1,495)	(554)	(1,553)	(661)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(28,586)	(3,227)	(4,223)	(3,836)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from direct financing leases	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(68,253)	(38,605)	(36,014)	(52,654)
Proceeds from maturity of investments	79,439	35,841	33,230	47,272
Interest received from investments	73	30	29	39
Net cash provided by (used for) investing activities	11,259	(2,734)	(2,755)	(5,343)
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)	\$ 305	\$ 733	\$ 822	\$ 1,420
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(504)	(202)	(189)	(347)
Net change in the fair value of investments	-	(1)	(1)	(1)
Transfers between funds for operating activity	756	339	330	414
Interest received from investments	(73)	(30)	(29)	(39)
Interest paid	2,786	2,673	2,670	3,175
<i>Changes in assets, liabilities and deferred resources:</i>				
Net (increase) decrease in mortgages and loans	12,422	2,354	3,263	4,461
Net increase (decrease) in assets, liabilities, and deferred resources	1,635	95	112	96
Net cash provided by (used for) operating activities	\$ 17,327	\$ 5,961	\$ 6,978	\$ 9,179

Schedule 20

Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
\$ 4,303	\$ 4,626	\$ 5,201	\$ 31,216
15,794	16,941	15,450	104,880
-	-	-	-
(11,896)	(13,493)	(12,602)	(72,186)
-	-	-	-
-	-	-	-
-	-	-	(140)
-	-	-	-
-	-	-	-
-	-	-	(1)
-	-	-	-
-	-	-	-
8,201	8,074	8,049	63,769
-	80,881	-	80,881
-	(80,881)	-	(105,186)
-	-	-	-
-	-	-	-
(2,870)	(2,862)	(2,864)	(19,900)
-	-	-	-
-	-	-	-
-	-	-	-
(732)	(1,344)	(1,096)	(7,435)
-	-	-	-
(3,602)	(4,206)	(3,960)	(51,640)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(49,104)	(50,361)	(51,637)	(346,628)
44,466	46,452	47,507	334,207
39	41	41	292
(4,599)	(3,868)	(4,089)	(12,129)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -
\$ 949	\$ 1,369	\$ 2,024	\$ 7,622
-	-	-	-
(208)	(233)	(507)	(2,190)
(1)	(1)	(1)	(6)
700	629	847	4,015
(39)	(41)	(41)	(292)
2,870	2,862	2,864	19,900
-	-	-	-
3,898	3,448	2,848	32,694
32	41	15	2,026
\$ 8,201	\$ 8,074	\$ 8,049	\$ 63,769

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ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

Schedule 21**STATEMENT OF CASH FLOWS**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2016

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income on mortgages and loans	\$ 2,712	\$ 859	\$ 3,571
Principal payments received on mortgages and loans	11,860	3,531	15,391
Disbursements to fund mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	747	397	1,144
Mortgage and loan proceeds	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-
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 (payments)	-	-	-
Grant payments to other agencies	-	-	-
Other operating cash receipts	-	-	-
Other operating cash payments	-	-	-
Net cash provided by (used for) operating activities	15,319	4,787	20,106
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(42,070)	(3,200)	(45,270)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(1,766)	(668)	(2,434)
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	19,414	-	19,414
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	(24,422)	(3,868)	(28,290)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Proceeds from the disposal of capital assets	-	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid on capital notes	-	-	-
Proceeds from direct financing leases	-	-	-
Other cash payments	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(65,550)	(19,923)	(85,473)
Proceeds from maturity of investments	74,600	18,989	93,589
Interest received from investments	53	15	68
Net cash provided by (used for) investing activities	9,103	(919)	8,184
Net Increase (decrease) in cash	-	-	-
Cash at the beginning of year	-	-	-
Cash at the end of period	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 1,804	\$ 320	\$ 2,124
<i>Adjustments:</i>			
Depreciation expense	-	-	-
Provision for loan losses	(902)	(147)	(1,049)
Net change in the fair value of investments	-	-	-
Transfers between funds for operating activity	(285)	27	(258)
Interest received from investments	(53)	(15)	(68)
Interest paid	1,766	668	2,434
<i>Changes in assets, liabilities and deferred resources:</i>			
Net (increase) decrease in mortgages and loans	12,607	3,928	16,535
Net increase (decrease) in assets, liabilities, and deferred resources	382	6	388
Net cash provided by (used for) operating activities	\$ 15,319	\$ 4,787	\$ 20,106

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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, 2016

(in thousands of dollars)

Schedule 22

	General Mortgage Revenue Bonds II 2012 A, B	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest income on mortgages and loans	\$ 6,158	\$ 325	\$ 7,846	\$ 14,329
Principal payments received on mortgages and loans	25,900	1,174	26,924	53,998
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(12,077)	(2,500)	(31,114)	(45,691)
Mortgage and loan proceeds	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-
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 (payments)	-	-	-	-
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	19,981	(1,001)	3,656	22,636
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(7,480)	-	(5,420)	(12,900)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(4,454)	(13)	(3,665)	(8,132)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers (to) from other funds	-	-	(7)	(7)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(11,934)	(13)	(9,092)	(21,039)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from direct financing leases	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(81,965)	(38,171)	(140,015)	(260,151)
Proceeds from maturity of investments	73,859	39,149	144,851	257,859
Interest received from investments	59	36	600	695
Net cash provided by (used for) investing activities	(8,047)	1,014	5,436	(1,597)
Net Increase (decrease) in cash	-	-	-	-
Cash at the beginning of year	-	-	-	-
Cash at the end of period	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 1,739	\$ 463	\$ 4,415	\$ 6,617
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(53)	13	(636)	(676)
Net change in the fair value of investments	(2)	(1)	(3)	(6)
Transfers between funds for operating activity	330	35	401	766
Interest received from investments	(59)	(36)	(600)	(695)
Interest paid	4,454	13	3,665	8,132
<i>Changes in assets, liabilities and deferred resources:</i>				
Net (increase) decrease in mortgages and loans	13,823	(1,326)	(4,190)	8,307
Net increase (decrease) in assets, liabilities, and deferred resources	(251)	(162)	604	191
Net cash provided by (used for) operating activities	\$ 19,981	\$ (1,001)	\$ 3,656	\$ 22,636

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, 2016

(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	State Capital Project Bonds II 2012 A & B
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest income on mortgages and loans	\$ 2,221	\$ 1,039	\$ 379	\$ 3,787	\$ 4,769
Principal payments received on mortgages and loans	7,044	3,106	1,275	10,505	6,930
Disbursements to fund mortgages and loans	-	-	-	-	-
Receipt (payment) for loan transfers between funds	(6,467)	(4,117)	-	(8,141)	(4,130)
Mortgage and loan proceeds	-	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-	-
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 (payments)	-	-	-	-	-
Grant payments to other agencies	-	-	-	-	-
Other operating cash receipts	-	-	109	-	-
Other operating cash payments	-	-	(95)	-	-
Net cash provided by (used for) operating activities	2,798	28	1,668	6,151	7,569
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Proceeds from the issuance of bonds	-	-	-	-	-
Principal paid on bonds	(370)	(1,985)	(3,845)	(2,058)	(4,095)
Payment to defease bonds	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid	(167)	(858)	(1,675)	(3,251)	(3,904)
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	5,280	251	-	-	-
Other cash payments	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	4,743	(2,592)	(5,520)	(5,309)	(7,999)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-	-
Principal paid on capital notes	(4,910)	-	-	(307)	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid on capital notes	(2,217)	-	-	(486)	-
Proceeds from direct financing leases	-	-	3,304	-	-
Other cash payments	-	-	-	-	-
Net cash provided by (used for) capital financing activities	(7,127)	-	3,304	(793)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(34,965)	(13,228)	(12,081)	(32,505)	(24,526)
Proceeds from maturity of investments	34,533	15,779	12,636	32,434	24,938
Interest received from investments	18	13	6	22	18
Net cash provided by (used for) investing activities	(414)	2,564	561	(49)	430
Net Increase (decrease) in cash	-	-	13	-	-
Cash at the beginning of year	-	-	121	-	-
Cash at the end of period	\$ -	\$ -	\$ 134	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (669)	\$ 771	\$ 324	\$ (243)	\$ 2,792
<i>Adjustments:</i>					
Depreciation expense	-	-	-	450	-
Provision for loan losses	(123)	(630)	(282)	(119)	(581)
Net change in the fair value of investments	-	-	-	-	-
Transfers between funds for operating activity	179	(183)	11	238	114
Interest received from investments	(18)	(13)	(6)	(22)	(18)
Interest paid	2,384	858	1,675	3,737	3,904
<i>Changes in assets, liabilities and deferred resources:</i>					
Net (increase) decrease in mortgages and loans	577	(1,011)	1,275	2,364	2,800
Net increase (decrease) in assets, liabilities, and deferred resources	468	236	(1,329)	(254)	(1,442)
Net cash provided by (used for) operating activities	\$ 2,798	\$ 28	\$ 1,668	\$ 6,151	\$ 7,569

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	State Capital Project Bonds II 2015 C	General Housing Purpose Bonds 2005 B & C	Combined Total
\$ 8,950	\$ 4,659	\$ 1,459	\$ 5,564	\$ 3,608	\$ 5,221	\$ 5,085	\$ 1,378	\$ -	\$ 48,119
5,257	13,532	4,673	15,473	5,372	16,643	16,487	3,013	-	109,310
-	-	-	-	-	-	-	-	-	-
(9,736)	(13,303)	(4,256)	(19,315)	(7,133)	(17,108)	(14,733)	(3,103)	-	(111,542)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	109
-	-	-	-	-	(53)	-	-	-	(148)
4,471	4,888	1,876	1,722	1,847	4,703	6,839	1,288	-	45,848
-	-	-	-	-	-	-	22,156	-	22,156
-	-	(835)	-	(50)	(2,270)	(785)	(485)	-	(16,778)
-	-	-	-	-	-	-	-	-	-
(4,558)	(4,594)	(1,448)	(1,133)	(3,899)	(5,907)	(3,862)	(1,227)	-	(36,483)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	53	(2,610)	(20,421)	(53)	(17,500)
(4,558)	(4,594)	(2,283)	(1,133)	(3,949)	(8,124)	(7,257)	23	(53)	(48,605)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(5,217)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,703)
-	-	-	-	-	3,467	-	-	-	6,771
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,467	-	-	-	(1,149)
(29,482)	(42,827)	(13,126)	(41,455)	(22,946)	(57,639)	(42,481)	(37,277)	(1)	(404,539)
29,546	42,505	13,523	40,833	25,032	57,559	42,871	35,955	1	408,145
23	28	10	33	16	34	28	11	-	260
87	(294)	407	(589)	2,102	(46)	418	(1,311)	-	3,866
-	-	-	-	-	-	-	-	(53)	(40)
-	-	-	-	-	-	-	-	53	174
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134
\$ 6,262	\$ 1,507	\$ 652	\$ 4,261	\$ 1,158	\$ 1,347	\$ 1,397	\$ (460)	\$ -	\$ 19,099
-	-	-	-	-	-	-	-	-	450
(506)	(320)	(115)	(81)	18	(197)	7	616	-	(2,313)
-	-	-	-	-	-	-	-	-	-
134	229	119	291	619	(74)	289	425	-	2,391
(23)	(28)	(10)	(33)	(16)	(34)	(28)	(11)	-	(260)
4,558	4,594	1,448	1,133	3,899	5,907	3,862	1,227	-	39,186
(4,479)	229	417	(3,842)	(1,761)	(465)	1,754	(90)	-	(2,232)
(1,475)	(1,323)	(635)	(7)	(2,070)	(1,781)	(442)	(419)	-	(10,473)
\$ 4,471	\$ 4,888	\$ 1,876	\$ 1,722	\$ 1,847	\$ 4,703	\$ 6,839	\$ 1,288	\$ -	\$ 45,848

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, 2016

(in thousands of dollars)

	Energy Programs	Section 8 Vouchers Programs	Other Grants	Subtotal Grant Programs
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest income on mortgages and loans	\$ -	\$ -	\$ -	\$ -
Principal payments received on mortgages and loans	-	-	-	-
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	-	-	-
Mortgage and loan proceeds	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-
Payments to employees and other payroll disbursements	(988)	(3,629)	(847)	(5,464)
Payments for goods and services	(1,559)	(354)	(506)	(2,419)
Cash received for externally funded programs	42,360	7,572	32,563	82,495
Cash received for Federal HAP subsidies	-	33,118	-	33,118
Payments for Federal HAP subsidies	-	(35,934)	-	(35,934)
Interfund receipts (payments)	(3,559)	(138)	(1,634)	(5,331)
Grant payments to other agencies	(36,467)	(67)	(30,297)	(66,831)
Other operating cash receipts	9	421	848	1,278
Other operating cash payments	-	(72)	(15)	(87)
Net cash provided by (used for) operating activities	(204)	917	112	825
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
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	-	-	(98)	(98)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	(98)	(98)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	-	(23)	-	(23)
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 direct financing leases	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	-	(23)	-	(23)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	2	8	-	10
Net cash provided by (used for) investing activities	2	8	-	10
Net Increase (decrease) in cash	(202)	902	14	714
Cash at the beginning of year	1,202	4,100	193	5,495
Cash at the end of period	\$ 1,000	\$ 5,002	\$ 207	\$ 6,209
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (3,122)	\$ (2,103)	\$ (4,056)	\$ (9,281)
<i>Adjustments:</i>				
Depreciation expense	-	17	-	17
Provision for loan losses	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	3,627	670	4,910	9,207
Interest received from investments	(2)	(8)	-	(10)
Interest paid	-	-	-	-
<i>Changes in assets, liabilities and deferred resources:</i>				
Net (increase) decrease in mortgages and loans	-	-	-	-
Net increase (decrease) in assets, liabilities, and deferred resources	(707)	2,341	(742)	892
Net cash provided by (used for) operating activities	\$ (204)	\$ 917	\$ 112	\$ 825

Schedule 24

Low Rent Program	Market Rate Rental Housing Programs	Home Ownership fund	Senior Housing Revolving Loan Fund	Subtotal Other Funds or Programs	Alaska Corporation for Affordable Housing	Combined Total
\$ -	\$ -	\$ 173	\$ 830	\$ 1,003	\$ -	\$ 1,003
-	-	296	1,570	1,866	1,000	2,866
-	-	-	-	-	(10,819)	(10,819)
-	-	(11,743)	(18,601)	(30,344)	-	(30,344)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(7,344)	(1,688)	-	-	(9,032)	-	(14,496)
(10,270)	(2,659)	-	-	(12,929)	(40)	(15,388)
10,609	2,137	-	-	12,746	-	95,241
-	-	-	-	-	-	33,118
-	-	-	-	-	-	(35,934)
3,617	1,299	-	-	4,916	9,777	9,362
-	-	-	-	-	-	(66,831)
7,675	2,389	-	-	10,064	282	11,624
(27)	(3)	-	-	(30)	(1)	(118)
4,260	1,475	(11,274)	(16,201)	(21,740)	199	(20,716)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	16	-	16	5,600	5,518
-	-	-	-	-	-	-
-	-	16	-	16	5,600	5,518
(165)	(509)	-	-	(674)	-	(697)
6	-	-	-	6	-	6
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(159)	(509)	-	-	(668)	-	(691)
-	-	(11,272)	(17,923)	(29,195)	-	(29,195)
-	-	22,388	33,903	56,291	-	56,291
2	2	142	221	367	4	381
2	2	11,258	16,201	27,463	4	27,477
4,103	968	-	-	5,071	5,803	11,588
8,152	10,718	-	-	18,870	1,467	25,832
\$ 12,255	\$ 11,686	\$ -	\$ -	\$ 23,941	\$ 7,270	\$ 37,420
\$ (4,108)	\$ (1,531)	\$ 92	\$ 723	\$ (4,824)	\$ (189)	\$ (14,294)
5,145	1,229	-	-	6,374	-	6,391
-	-	113	144	257	470	727
-	-	59	98	157	-	157
3,019	1,491	45	98	4,653	5,312	19,172
(2)	(2)	(142)	(221)	(367)	(4)	(381)
-	-	-	-	-	-	-
-	-	(11,447)	(17,031)	(28,478)	(9,819)	(38,297)
206	288	6	(12)	488	4,429	5,809
\$ 4,260	\$ 1,475	\$ (11,274)	\$ (16,201)	\$ (21,740)	\$ 199	\$ (20,716)

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APPENDIX B

OPINIONS OF BIRCH, HORTON, BITTNER AND CHEROT DELIVERED ON THE DATE OF ORIGINAL ISSUANCE OF THE REMARKETED BONDS

May 31, 2007

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 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 \$75,000,000 aggregate principal amount of Home Mortgage Revenue Bonds, 2007 Series A (the “2007 Series A 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 addition we have examined a transcript of proceedings prepared in connection with the issuance by the Corporation of its Home Mortgage Revenue Bonds, 2006 Series B.

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 2007 Series A Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted February 1, 2006, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association (previously known as U.S. Bank, N.A.), as trustee (the “Trustee”), dated as of May 1, 2002 (the “General Indenture”), and the 2007 Series A Supplemental Indenture, by and between the Corporation and the Trustee, dated as of May 1, 2007, executed pursuant to the General Indenture (together, the “Indenture”).

The 2007 Series A 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 2007 Series A Bonds in order for interest on the 2007 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 and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the “Code”). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2007 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 Certificate as to matters affecting the tax-exempt status of the 2007 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 2007 Series A 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 2007 Series A 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 2007 Series A Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the 2007 Series A Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2007 Series A Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; however, such interest is included in calculating the “adjusted current earnings” of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2007 Series A Bonds.

8. Under existing laws, interest on the 2007 Series A Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

9. 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 2007 Series A Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

BIRCH, HORTON, BITTNER AND CHEROT

By /s/ Kenneth E. Vassar
Name Kenneth E. Vassar

May 31, 2007

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 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 \$75,000,000 aggregate principal amount of Home Mortgage Revenue Bonds, 2007 Series B (the “2007 Series B 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 addition we have examined a transcript of proceedings prepared in connection with the issuance by the Corporation of its Home Mortgage Revenue Bonds, 2006 Series C.

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 2007 Series B Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted June 23, 2006, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association (previously known as U.S. Bank, N.A.), as trustee (the “Trustee”), dated as of May 1, 2002 (the “General Indenture”), and the 2007 Series B Supplemental Indenture, by and between the Corporation and the Trustee, dated as of May 1, 2007, executed pursuant to the General Indenture (together, the “Indenture”).

The 2007 Series B 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 2007 Series B Bonds in order for interest on the 2007 Series B Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the “Code”). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2007 Series B 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 Certificate as to matters affecting the tax-exempt status of the 2007 Series B 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 2007 Series B 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 2007 Series B 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 2007 Series B Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the 2007 Series B Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2007 Series B Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; however, such interest is included in calculating the “adjusted current earnings” of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2007 Series B Bonds.

8. Under existing laws, interest on the 2007 Series B Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

9. 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 2007 Series B Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

BIRCH, HORTON, BITTNER AND CHEROT

By /s/ Kenneth E. Vassar
Name Kenneth E. Vassar

May 31, 2007

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 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 \$89,370,000 aggregate principal amount of Home Mortgage Revenue Bonds, 2007 Series D (the “2007 Series D 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 addition we have examined a transcript of proceedings prepared in connection with the issuance by the Corporation of its Home Mortgage Revenue Bonds, 2007 Series C.

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 2007 Series D Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted January 10, 2007, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association (previously known as U.S. Bank, N.A.), as trustee (the “Trustee”), dated as of May 1, 2002 (the “General Indenture”), and the 2007 Series D Supplemental Indenture, by and between the Corporation and the Trustee, dated as of May 1, 2007, executed pursuant to the General Indenture (together, the “Indenture”).

The 2007 Series D 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 2007 Series D Bonds in order for interest on the 2007 Series D Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the “Code”). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2007 Series D 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 Certificate as to matters affecting the tax-exempt status of the 2007 Series D 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 2007 Series D 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 2007 Series D 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 2007 Series D Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the 2007 Series D Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2007 Series D Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; however, such interest is included in calculating the “adjusted current earnings” of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2007 Series D Bonds.

8. Under existing laws, interest on the 2007 Series D Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

9. 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 2007 Series D Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

BIRCH, HORTON, BITTNER AND CHEROT

By /s/ Kenneth E. Vassar
Name Kenneth E. Vassar

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APPENDIX C

OPINIONS OF SPECIAL TAX COUNSEL DELIVERED ON THE DATE OF ORIGINAL ISSUANCE OF THE REMARKETED BONDS

May 31, 2007

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Citigroup Global Markets Inc.
2nd Floor
390 Greenwich Street
New York, NY 10013
the underwriter (the “Underwriter”)
named in the Bond Purchase Agreement
for the Bonds referred to below

\$75,000,000
Alaska Housing Finance Corporation
Home Mortgage Revenue Bonds
2007 Series A

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$75,000,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2006 Series B (the “2006 Series B Bonds”), and \$75,000,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2007 Series A (the “2007 Series A Bonds”; together with the 2006 Series B Bonds, the “Bonds”). The 2006 Series B Bonds were issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”), dated as of May 1, 2002 (the “Indenture”), and the 2006 Series B Supplemental Indenture (the “2006 Series B Supplemental Indenture”), by and between the Corporation and the Trustee, dated as of March 1, 2006, authorizing the issuance of the 2006 Series B Bonds. The 2007 Series A Bonds will be issued pursuant to the Indenture and the 2007 Series A Supplemental Indenture (the “2007 Series A Supplemental Indenture”; together with the 2006 Series B Supplemental Indenture, the “Supplemental Indentures”), by and between the Corporation and the Trustee, dated as of May 1, 2007, authorizing the issuance of the 2007 Series A Bonds. Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indentures.

In connection with the issuance of the Bonds, we have examined the Indenture, the 2006 Series B Supplemental Indenture, the 2007 Series A Supplemental Indenture, the Tax Regulatory Agreement and No Arbitrage Certificates (the “Arbitrage Certificates”) 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 Indentures and the Arbitrage Certificates designed to meet the requirements of the Internal Revenue Code of 1986, as amended, and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the “Code”), under existing laws, regulations, rulings and judicial decisions, interest on the 2007 Series A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the 2007 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 2007 Series A Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

May 31, 2007

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Citigroup Global Markets Inc.
2nd Floor
390 Greenwich Street
New York, NY 10013
the underwriter (the “Underwriter”)
named in the Bond Purchase Agreement
for the Bonds referred to below

\$75,000,000
Alaska Housing Finance Corporation
Home Mortgage Revenue Bonds
2007 Series B

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$75,000,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2006 Series C (the “2006 Series C Bonds”), and \$75,000,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2007 Series B (the “2007 Series B Bonds”; together with the 2006 Series C Bonds, the “Bonds”). The 2006 Series C Bonds were issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”), dated as of May 1, 2002 (the “Indenture”), and the 2006 Series C Supplemental Indenture (the “2006 Series C Supplemental Indenture”), by and between the Corporation and the Trustee, dated as of July 1, 2006, authorizing the issuance of the 2006 Series C Bonds. The 2007 Series B Bonds will be issued pursuant to the Indenture and the 2007 Series B Supplemental Indenture (the “2007 Series B Supplemental Indenture”; together with the 2006 Series C Supplemental Indenture, the “Supplemental Indentures”), by and between the Corporation and the Trustee, dated as of May 1, 2007, authorizing the issuance of the 2007 Series B Bonds. Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indentures.

In connection with the issuance of the Bonds, we have examined the Indenture, the 2006 Series C Supplemental Indenture, the 2007 Series B Supplemental Indenture, the Tax Regulatory Agreement and No Arbitrage Certificates (the “Arbitrage Certificates”) 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 Indentures and the Arbitrage Certificates designed to meet the requirements of the Internal Revenue Code of 1986, as amended, and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the “Code”), under existing laws, regulations, rulings and judicial decisions, interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the 2007 Series B 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 2007 Series B Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

May 31, 2007

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Citigroup Global Markets Inc.
2nd Floor
390 Greenwich Street
New York, NY 10013
the underwriter (the “Underwriter”)
named in the Bond Purchase Agreement
for the Bonds referred to below

\$89,370,000
Alaska Housing Finance Corporation
Home Mortgage Revenue Bonds
2007 Series D

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$89,370,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2007 Series C (the “2007 Series C Bonds”), and \$89,370,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2007 Series D (the “2007 Series D Bonds”; together with the 2007 Series C Bonds, the “Bonds”). The 2007 Series C Bonds were issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”), dated as of May 1, 2002 (the “Indenture”), and the 2007 Series B Supplemental Indenture (the “2006 Series B Supplemental Indenture”), by and between the Corporation and the Trustee, dated as of January 1, 2007, authorizing the issuance of the 2007 Series C Bonds. The 2007 Series D Bonds will be issued pursuant to the Indenture and the 2007 Series D Supplemental Indenture (the “2007 Series D Supplemental Indenture”; together with the 2007 Series C Supplemental Indenture, the “Supplemental Indentures”), by and between the Corporation and the Trustee, dated as of May 1, 2007, authorizing the issuance of the 2007 Series D Bonds. Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indentures.

In connection with the issuance of the Bonds, we have examined the Indenture, the 2007 Series C Supplemental Indenture, the 2007 Series D Supplemental Indenture, the Tax Regulatory Agreement and No Arbitrage Certificates (the “Arbitrage Certificates”) 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 Indentures and the Arbitrage Certificates designed to meet the requirements of the Internal Revenue Code of 1986, as amended, and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the “Code”), under existing laws, regulations, rulings and judicial decisions, interest on the 2007 Series D Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the 2007 Series D Bonds, however, is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation’s earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation’s adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We express no opinion regarding any other consequences affecting the federal income tax liability of a recipient of interest on the 2007 Series D Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

APPENDIX D

FORM OF OPINION OF BOND COUNSEL TO BE DELIVERED ON THE REMARKETING DATE

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

U.S. Bank National Association, as Trustee
7th Floor
1420 Fifth Avenue
Mail Code PD-WA-T7CT
Seattle, WA 98101

Ladies and Gentlemen:

On May 31, 2007, the Alaska Housing Finance Corporation (the “Corporation”) issued its \$ _____ aggregate original principal amount of Home Mortgage Revenue Bonds, 2007 Series _____ (the “Bonds”). The Bonds were issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association (previously known as U.S. Bank, N.A.), as trustee (the “Trustee”), dated as of May 1, 2002, as supplemented, and the 2007 Series _____ Supplemental Indenture by and between the Corporation and the Trustee, dated as of May 1, 2007, as supplemented May 25, 2017, authorizing the issuance of the Bonds (together, the “Indenture”).

Capitalized terms used herein and not defined herein are used as defined in the Indenture.

In connection with delivery to the Trustee of the Standby Bond Purchase Agreement dated as of May _____, 2017 (the “FHLB Facility”), among the Corporation, the Trustee (as Trustee and Tender Agent) and Federal Home Loan Bank of Des Moines, with respect to the Bonds, in our capacity as Bond Counsel, we have examined the law, the Indenture, and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion. Based on such review, we are of the opinion that:

1. The FHLB Facility is authorized under the Indenture and complies with the terms thereof.
2. Under existing laws, regulations, rulings and judicial decisions, the delivery of the FHLB Facility with respect to the Bonds on the date hereof will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Sincerely,

LAW OFFICE OF KENNETH E. VASSAR,
LLC

By _____

Name _____

Title _____

APPENDIX E

FORM OF OPINION OF SPECIAL TAX COUNSEL TO BE DELIVERED ON THE REMARKETING DATE

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Ladies and Gentlemen:

We acted as Special Tax Counsel in connection with the issuance and sale of \$_____ aggregate original principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2007 Series ____ (the “Bonds”). The Bonds were issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank, N.A. (now known as U.S. Bank National Association), as trustee (the “Trustee”), dated as of May 1, 2002, as supplemented (the “Indenture”), and the 2007 Series ____ Supplemental Indenture by and between the Corporation and the Trustee, dated as of May 1, 2007, as supplemented May 25, 2017, authorizing the issuance of the Bonds (the “Supplemental Indenture”).

On May 31, 2007, the date of original issuance of the Bonds, we delivered our opinion (the “Original 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 Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes.

Our opinion also stated that interest on the 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 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 connection with delivery of the Standby Bond Purchase Agreement dated as of May ____, 2017 (the “Alternate Liquidity Facility”), among the Federal Home Loan Bank, the Corporation, and U.S. Bank National Association, as Trustee and Tender Agent, with respect to the Bonds, in our capacity as Special Tax Counsel, we have examined the law, the Indenture, the Supplemental Indenture and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion. Based on such review, we are of the opinion that, under existing laws, regulations, rulings and judicial decisions, the delivery of the Alternate

Liquidity Facility with respect to the Bonds on the date hereof will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Code establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be subject to such tax retroactive to the date of issuance of the Bonds. The requirements include provisions that restrict the yield and set forth limitations within which the proceeds of the Bonds are to be invested and require that certain investment earnings be rebated on a periodic basis to the United States Treasury. The Indenture and Supplemental Indenture contain covenants of the Corporation to comply with such requirements. The Original Opinion and the opinions expressed above assume compliance with such covenants.

The accrual or receipt of interest on the 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. We express no opinion regarding any such consequences.

Capitalized terms not otherwise defined herein are used as defined in the Indenture and Supplemental Indenture.

Very truly yours,

APPENDIX F

**CERTAIN DEFINITIONS WITH RESPECT TO
THE REMARKETED BONDS**

“Alternate Liquidity Facility” means any standby bond purchase agreement or similar agreement (not including a Non-Conforming Liquidity Facility or Self Liquidity) providing liquidity for the 2007 Series A Bonds, 2007 Series B Bonds or 2007 Series D Bonds, as applicable, or any portion thereof delivered to the Corporation in substitution for an existing Liquidity Facility pursuant to the terms of the 2007 Series A, B and D Supplemental Indentures, provided, however, that in connection with the delivery of such Alternate Liquidity Facility pursuant to either (i) or (ii) of this definition, there shall be delivered to the Trustee rating letters evidencing a short-term rating of the Remarketed Bonds of not less than “A-1” (in the case of S&P), “P-1” or “VMIG-1” (in the case of Moody’s), “F1” (in the case of Fitch) or such other ratings as may be approved by the Corporation.

“Bank” means (i) with respect to the applicable FHLB Liquidity Facility, the Federal Home Loan Bank, together with its successors and assigns; (ii) with respect to an Alternate Liquidity Facility or a Non-Conforming Liquidity Facility, the providers thereof, together with their successors and assigns; and (iii) with respect to Self Liquidity, the Corporation, together with its successors and assigns.

“Bank Bonds” means Remarketed Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility.

“Bank Interest Rate” means the rate of interest, if any, on all Bank Bonds held by and payable to a Bank at any time as determined and calculated in accordance with the provisions of the Liquidity Facility.

“Bondholder” or *“Holder”* means, for purposes of this Remarketing Statement, any Holder (as defined under the Indenture) of the applicable Remarketed 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 such Remarketed 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.

“Conversion Date” means the Business Day on which any of the applicable Remarketed 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 applicable Remarketed 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 applicable Remarketed Bonds prior to Conversion, determined for each Effective Rate Period applicable to such Remarketed Bonds as herein described.

“Effective Rate Date” means the date on which the applicable Remarketed 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 applicable Remarketed Bond, established in accordance with the 2007 Series A, B and D Supplemental Indentures. This Remarketing Statement is not intended to describe the Remarketed Bonds following a Conversion to Fixed Interest Rates.

“Indexed Rate” means an index-based variable rate determined in accordance with the 2007 Series A, B and D Supplemental Indentures. This Remarketing Statement is not intended to describe the Remarketed Bonds following a Conversion to an Indexed Rate.

“Liquidity Expiration Event” means (a) either (i) the Corporation has determined to terminate the Liquidity Facility in whole or in part in accordance with its terms or (ii) the Trustee has not received written notice from the Bank on or prior to 30 days prior to the scheduled expiration of the Liquidity Facility that it will be extended or renewed, or (iii) the Bank has issued a notice of termination of the Liquidity Facility, and (b) the Corporation has not notified the Trustee at least 20 days before the date of termination of such Liquidity Facility of its intention to provide an Alternate Liquidity Facility or Self Liquidity or a Non-Conforming Liquidity Facility; provided, however, that any assignment of a Liquidity Facility by the Corporation shall also constitute a “Liquidity Expiration Event.”

“Maximum Rate” (i) means 12% per annum; or (ii) with respect to Bank Bonds, has the meaning ascribed to such term in the applicable FHLB Liquidity Facility; provided, however, that in no event shall the Maximum Rate exceed the lesser of (x) 25% or such higher rate as approved by the Corporation’s Board of Directors or (y) the maximum rate permitted by applicable law, anything in the 2007 Series A, B and D Supplemental Indentures to the contrary notwithstanding.

“Mode” means the manner in which the interest rate is determined on each Rate Determination Date, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, and Semiannual Rate. This Remarketing Statement is not intended to describe Remarketed Bonds bearing interest at other than a Weekly Rate.

“Mode Change” means a change from one Mode Period to another Mode Period.

“Mode Period” means each period beginning on the first Effective Rate Date for the applicable Remarketed 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.

“Non-Conforming Liquidity Facility” means a liquidity facility delivered by the Corporation pursuant to the 2007 Series A, B and D Supplemental Indentures, other than Self Liquidity. See “The Liquidity Facility — Self Liquidity or Other Forms of Liquidity.”

“*Notice Parties*” means the Corporation, the Remarketing Agent, the Bank, the Tender Agent, and the Trustee.

“*Rate Determination Date*” means the date on which the Effective Rate for the Effective Rate Period following each such Rate Determination Date is determined, which is the first Business Day preceding the related Effective Rate Date.

“*Remarketing Agent*” means, with respect to the 2007 Series A Bonds and 2007 Series B Bonds, Raymond James & Associates, Inc., and, with respect to the 2007 Series D Bonds, Wells Fargo Securities, LLC and its successors and assigns, unless another remarketing agent shall be duly appointed in accordance with the Indenture.

“*Self Liquidity*” means a liquidity facility provided by the Corporation’s own funds other than a Non-Conforming Liquidity Facility.

“*SIFMA Index*” means (a) the SIFMA Rate or (b) if the SIFMA Rate is no longer available or no longer published, the S&P Index - High Grade (formerly known as the Kenny Index), or if neither the SIFMA Rate nor the S&P Index - High Grade is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Rate just prior to when the Securities Industry and Financial Markets Association stopped publishing the SIFMA Rate. The Paying Agent shall make the determination required by this definition, upon notification from the Corporation, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

“*SIFMA Rate*” means the Securities Industry and Financial Markets Association Municipal Swap Index of Municipal Market Data, formerly the Bond Market Association/PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) most recently available as of the date of determination.

“*Tender Agent*” means U.S. Bank National Association, organized and existing under the laws of the United States of America, and its successors and assigns.

“*Variable Rate Bonds*” means Remarketed Bonds bearing interest at a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate. This Remarketing Statement is not intended to describe Remarketed Bonds bearing interest at other than a Weekly Rate.

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APPENDIX G

CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER

Information Concerning the Federal Home Loan Bank of Des Moines

The following information has been obtained from the Federal Home Loan Bank of Des Moines (the “Bank”) for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.

The Bank is a federally chartered corporation located in Des Moines, Iowa, and is one of 11 district Federal Home Loan Banks.

The Bank serves the public by enhancing the availability of funds for residential mortgages and targeted community development. The Bank provides a readily available, low cost source of funds to its members and eligible housing associates in Alaska, Hawaii, Idaho, Iowa, Minnesota, Missouri, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming, and the U.S. Pacific territories of American Samoa and Guam and the Commonwealth of the Northern Mariana Islands. State and local housing authorities that meet certain statutory criteria may also borrow from the Bank; while eligible to borrow, housing associates are not members of the Bank and, as such, are not required to hold capital stock.

The Bank is a cooperative. This means the Bank is owned by its customers, whom the Bank calls members. All members must purchase and maintain membership capital stock based on the amount of their total assets as a condition of membership in the Bank. Each member is also required to purchase and maintain activity-based capital stock to support certain business activities with the Bank. The Bank conducts business with its stockholders in the normal course of business.

The Bank’s current members own nearly all of the outstanding capital stock of the Bank. Former members own the remaining capital stock to support business transactions still carried on the Bank’s statements of condition. All stockholders, including current members and former members, may receive dividends on their investment. As of December 31, 2016, the Bank had total assets of \$180.6 billion.

Moody’s Investors Service, Inc. (“Moody’s”) currently rates the Bank’s long-term bank deposits as “Aaa” and short-term bank deposits as “P-1,” both with a stable outlook. S&P Global Ratings, a division of The McGraw-Hill Companies, Inc. (“S&P”) rates the Bank’s long-term counterparty credit as “AA+” and its short-term counterparty credit as “A-1+,” both with a stable outlook. Fitch Ratings, Inc. (“Fitch”) rates the Bank’s long term Issuer Default Rating (“IDR”) of “AAA” with stable outlook and its short term IDR “F1+”, Support “1” and the Support Rating Floor of “AAA”. Further information with respect to such ratings may be

obtained from Moody's, S&P and Fitch, respectively. No assurances can be given that the current ratings of the Bank and its instruments will be maintained.

The Bank is a reporting company under the Securities Exchange Act of 1934, as amended. Bank reports filed with or submitted to the Securities and Exchange Commission ("SEC") may be viewed by accessing the following website: <http://www.sec.gov/edgar/searchedgar/companysearch.html>. The Bank will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Federal Home Loan Bank of Des Moines, Suite 200, 801 Walnut Street, Des Moines, Iowa 50309, Attention: Legal Department. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

PAYMENTS OF THE PURCHASE PRICE OF THE APPLICABLE REMARKETED BONDS WILL BE MADE PURSUANT TO THE APPLICABLE STANDBY BOND PURCHASE AGREEMENT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENTS ARE BINDING OBLIGATIONS OF THE BANK, THE REMARKETED BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE FEDERAL HOME LOAN BANK OF DES MOINES AND ARE NOT GUARANTEED BY SUCH BANK. THE REMARKETED BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The inclusion of the information herein shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Remarketing Statement is correct as of any time subsequent to its date.

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