NEW ISSUE - BOOK ENTRY ONLY

Ratings on the 2006 Bonds: (See "Ratings")

In the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, and Kutak Rock LLP, Special Tax Counsel, assuming compliance with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions,(i) interest on the 2006 Bonds is excluded from gross income for Federal income tax purposes; and (ii) interest on the 2006 Bonds is treated as a preference item to be included in calculating the alternative minimum tax imposed under the Code on individuals and corporations. In the opinion of Bond Counsel, under existing laws, interest on the 2006 Bonds is free from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Bonds. See "Tax Matters."

Alaska Housing FINANCE CORPORATION

$98,675,000
ALASKA HOUSING FINANCE CORPORATION
Home Mortgage Revenue Bonds
2006 Series A (AMT)

Dated: Date of delivery **Due: As shown on inside cover page**

Price: As shown on inside cover page

The 2006 Series A Bonds referred to above (the "2006 Bonds") will mature on the dates and in the amounts set forth on the inside cover page.

The 2006 Bonds will bear interest at the rates set forth on the inside cover page, payable on each June 1 and December 1, commencing June 1, 2006.

The 2006 Bonds initially will be issued in book-entry form only, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the 2006 Bonds. Beneficial Owners (as defined herein) will not receive certificates representing their ownership of the 2006 Bonds. The 2006 Bonds are issuable as fully-registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on, principal of, and premium, if any, on the 2006 Bonds are payable by U.S. Bank National Association, Seattle, Washington, as trustee to Cede & Co., as nominee of DTC. DTC will in turn make payments to its direct and indirect participants, who will in turn make payments to the Beneficial Owners of the 2006 Bonds. See "The 2006 Bonds — Book Entry Only."

The Corporation has previously issued bonds and, if certain conditions are met, may issue additional bonds (together with the 2006 Bonds, the "Bonds") on a parity with the 2006 Bonds. See "Sources of Payment and Security for the Bonds — Additional Bonds."

The 2006 Bonds are subject to redemption prior to maturity at 100% of their principal amount under the circumstances described herein. See "The 2006 Bonds — Redemption Provisions."

MBIA

MBIA Insurance Corporation has issued its commitment to insure the payment of the principal of and interest on the 2006 Bonds on regularly scheduled payment dates. See "The MBIA Insurance Corporation Bond Insurance Policy" and Appendix E — "Form of MBIA Insurance Corporation Bond Insurance Policy."

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.

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

The 2006 Bonds (except to the extent not reoffered) are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Birch, Horton, Bittner and Cherot, Anchorage, Alaska, Bond Counsel, and to the confirmation of certain tax matters by Birch, Horton, Bittner and Cherot and Kutak Rock LLP, Special Tax Counsel, and to certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that delivery of the 2006 Bonds will be made to DTC in New York, New York, on or about January 26, 2006.

Merrill Lynch & Co.

A.G. Edwards **Bear, Stearns & Co. Inc.** **Citigroup** **Goldman, Sachs & Co.**

JPMorgan Chase & Co. **Siebert Brandford Shank & Co., L.L.C.** **UBS Financial Services Inc.**

January 11, 2006

MATURITY SCHEDULE

$17,930,000 2006 Series A Serial Bonds Price: 100%

Maturity Date	Principal Amount	Interest Rate	CUSIP
June 1, 2006	$ 490,000	3.40%	011832H88
December 1, 2006	770,000	3.40	011832H96
June 1, 2007	785,000	3.45	011832J29
December 1, 2007	800,000	3½	011832J37
June 1, 2008	810,000	3.55	011832J45
December 1, 2008	825,000	3.60	011832J52
June 1, 2009	840,000	3.65	011832J60
December 1, 2009	855,000	3.70	011832J78
June 1, 2010	875,000	3¾	011832J86
December 1, 2010	890,000	3.80	011832J94
June 1, 2011	910,000	3.90	011832K27
December 1, 2011	925,000	3.95	011832K35
June 1, 2012	945,000	4	011832K43
December 1, 2012	965,000	4.05	011832K50
June 1, 2013	985,000	4.10	011832K68
December 1, 2013	1,005,000	4.15	011832K76
June 1, 2014	1,030,000	4¼	011832K84
December 1, 2014	1,050,000	4¼	011832K92
June 1, 2015	1,075,000	4.30	011832L26
December 1, 2015	1,100,000	4.30	011832L34

$12,515,000 4.60% 2006 Series A Term Bonds due December 1, 2020 Price: 100% CUSIP: 011832L42

$16,055,000 4.80% 2006 Series A Term Bonds due December 1, 2025 Price: 100% CUSIP: 011832L59

$11,025,000 4.90% 2006 Series A Term Bonds due December 1, 2030 Price: 100% CUSIP: 011832L67

$31,405,000 5% 2006 Series A Term Bonds due June 1, 2036 (2006 PAC Bonds)
Priced to Yield: 4.05% CUSIP: 011832L75

$9,745,000 4.95% 2006 Series A Term Bonds due December 1, 2036 Price: 100% CUSIP: 011832L83

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2006 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the 2006 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

In connection with this offering of the 2006 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2006 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
OF
ALASKA HOUSING FINANCE CORPORATION
Relating to
$98,675,000 Home Mortgage Revenue Bonds
2006 Series A (AMT)

INTRODUCTION

This Official Statement (including the cover page, inside cover page and appendices) sets forth information in connection with the Corporation's Home Mortgage Revenue Bonds, 2006 Series A (the "2006 Bonds"). The 2006 Bonds are authorized to be issued pursuant to Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended (the "Act"), an Indenture, dated as of May 1, 2002, as amended and supplemented (the "General Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), and a 2006 Series A Supplemental Indenture, dated as of January 1, 2006 (the "2006 Series A Supplemental Indenture"), by and between the Corporation and the Trustee. All bonds outstanding under the General Indenture (including additional bonds which may hereafter be issued) are referred to collectively as the "Bonds." Each series of Bonds is issued pursuant to a Supplemental Indenture. The General Indenture and all Supplemental Indentures (including the 2006 Series A Supplemental Indenture) are referred to collectively as the "Indenture." The Bonds issued under the Indenture prior to the issuance of the 2006 Bonds are referred to collectively as the "Prior Series Bonds." FOR CERTAIN DEFINITIONS USED IN THIS OFFICIAL STATEMENT, SEE "THE CORPORATION — CERTAIN DEFINITIONS" AND "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — CERTAIN DEFINITIONS." Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. All references to days in this Official Statement will mean calendar days *unless* stated otherwise. All references to times in this Official Statement, unless indicated otherwise, shall be to Eastern Time.

The 2006 Bonds are the third Series of Bonds issued under the Indenture. As of October 31, 2005, the Corporation had issued Prior Series Bonds in the aggregate principal amount of $200,000,000, and as of such date there were Prior Series Bonds Outstanding in the aggregate principal amount of $194,255,000. 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 2006 Bonds will be secured on a parity with the Prior Series Bonds and with any Additional Bonds.

The 2006 Bonds are being issued to provide the Corporation with funds to purchase Mortgage Loans. Such amounts will be available to purchase Mortgage Loans on and after the date of issuance of the 2006 Bonds. See "The 2006 Bonds — Redemption Provisions — Special Redemption — Redemption from Amounts in the Series Account of the Program Obligation Fund."

The Corporation from its general unrestricted funds will make a deposit to the Debt Service Reserve Account and pay costs of issuance. See "Sources of Payment and Security for the Bonds — Debt Service Reserve Account" and "Estimated Sources and Uses of Funds."

Payment of principal of and interest on the 2006 Bonds on regularly scheduled payment dates will be insured by MBIA Insurance Corporation (the "Insurer") pursuant to a financial guaranty insurance policy (the "Policy"). See "The MBIA Insurance Corporation Bond Insurance Policy" for a description of the Insurer and the Policy and see Appendix E for a form of the Policy. PURSUANT TO THE 2006 SERIES A SUPPLEMENTAL INDENTURE, FOR SO LONG AS THE POLICY SHALL BE IN EFFECT WITH RESPECT TO THE 2006 BONDS, THE INSURER SHALL BE CONSIDERED TO BE THE OWNER OF THE 2006 BONDS FOR PURPOSES OF VOTING OR GIVING CONSENTS UNDER THE INDENTURE. See "Summary of Certain Provisions of the Indenture."

The underwriters listed on the cover page (collectively, the "Underwriters") will act as underwriters with respect to the 2006 Bonds.

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

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

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

The Mortgage Loans, or portions of Mortgage Loans, to be financed with proceeds attributable to the 2006 Bonds are referred to as the "2006 Series A Mortgage Loans." The Corporation currently expects that a portion of 2006 Series A Mortgage Loans will consist of the Available Mortgage Loans (defined below), with the balance consisting of new mortgage loan originations. See "Sources of Payment and Security for the Bonds — Program Obligations."

The summaries herein of the 2006 Bonds, the Indenture, the Continuing Disclosure Certificate and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the Corporation's address and telephone number.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Prior Series Bonds and the 2006 Bonds are, and any Additional Bonds issued under the Indenture will be, direct and general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made or to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation's Housing Development Fund. All Bonds issued under the Indenture will be secured on a parity lien basis under the Indenture. See "Sources of Payment and Security for the Bonds — Additional Bonds."

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

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

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

Program Obligations

The lendable proceeds of the Prior Series Bonds have been fully expended to finance Mortgage Loans (the "Prior Series Mortgage Loans"). For a description as of October 31, 2005 of the Prior Series Mortgage Loans, see "Program Obligations — Mortgage Loans — Prior Series Mortgage Loans."

The Corporation currently holds a portfolio of warehoused mortgage loans with an aggregate principal balance as of October 31, 2005 of approximately $86.3 million (the "Available Mortgage Loans"). For a description as of October 31, 2005 of the Available Mortgage Loans, see "Program Obligations — Mortgage Loans — Available Mortgage Loans." The Corporation expects to purchase a significant portion of the Available Mortgage Loans with proceeds attributable to the 2006 Bonds. However, no assurance is given as to what portion, if any, of the Available Mortgage Loans will be allocated to the 2006 Bonds.

Mortgage Loans are required by the General Indenture to be secured by first lien deeds of trust on single-family residences in the State and bear a fixed rate of interest for initial terms of not less than 15 years but not more than 30 years. The Prior Series Mortgage Loans consist of, and 2006 Series A Mortgage Loans are expected to consist of, conventional Mortgage Loans; Mortgage Loans subject to a guarantee of the United States Department of Veterans Affairs (formerly the Veterans Administration; the "VA"), the United States Department of Housing and Urban Development ("HUD"), or Rural Development (formerly the Farmers Home Administration of the United States Department of Agriculture; "FmHA"); 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 FmHA, or (iii) insured under a private mortgage insurance policy at least until such time as the ratio of the outstanding loan balance to the original property value is equal to or less than 80%. See "Program Obligations — Primary Mortgage Insurance."

Debt Service Reserve Account

Upon delivery of the 2006 Bonds, a deposit is expected to be made to the credit of the Debt Service Reserve Account in the amount set forth under "Estimated Sources and Uses of Funds." The General Indenture requires the Debt Service Reserve Account to be maintained in an amount (the "Debt Service Reserve Requirement") at least equal to the sum of the Debt Service Reserve requirements established for each Series of Outstanding Bonds. The Debt Service Reserve requirement established for the 2006 Bonds is an amount equal to 2% of the sum of (a) the outstanding principal balance of 2006 Series A Mortgage Loans and (b) all other amounts on deposit in the 2006 Series Account of the Program Obligation Fund, or such greater amount as may be fixed by a further Authorizing Indenture. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

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

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

At the election of the Corporation, any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on a Debt Service Payment Date shall either (i) be transferred to the related Series Account of the Revenue Fund or (ii) be withdrawn and paid over to the Corporation free and clear of the lien and pledge of the Indenture if the most recent Bond Coverage Certificate shows Bond Coverage after such withdrawal; *provided* that (a) all Debt Service on the Bonds then due shall have been paid on such Debt Service Payment Date and that all amounts then due from the Corporation or Trustee to the counterparties of any Hedging Instruments shall have been paid on such Debt Service Payment Date and (b) no such withdrawal may be made during any period when proceeds of any Series of Bonds are on deposit in the Program Obligation Fund and have not been either exchanged for Program Obligations or applied to the redemption of Bonds of such Series, nor for sixty days following any such period. Any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on or after the fifth day following an 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 October 31, 2005, the aggregate amount of investments on deposit in the Debt Service Reserve Account was approximately $4.2 million, which amount was at least equal to the Debt Service Reserve Requirement on such date. The amount on deposit in the Debt Service Reserve Account will be at least equal to the Debt Service Reserve Requirement on the date of issuance of the 2006 Bonds. See "Estimated Sources and Uses of Funds" and "Summary of Certain Provisions of the Indenture — Revenue Fund."

Loan Loss Fund

The General Indenture permits, but does not require, the establishment of Loan Loss Coverage with respect to a Series of Bonds in the related Authorizing Indenture. The 2006 Series A Supplemental Indenture does not establish Loan Loss Coverage with respect to the 2006 Bonds. The Prior Series Bonds Supplemental Indentures establish Loan Loss Coverage with respect to the Prior Series 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 Prior Series Bonds are percentages of the Prior Series Mortgage Loans that are not covered by a mortgage pool insurance policy and that do not underlie Mortgage Certificates. (No Prior Series 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, are based upon criteria established by the Rating Agencies, including criteria related to mortgage loan credit risk. The Prior Series Bonds Supplemental Indentures 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 October 31, 2005, amounts on deposit in the Loan Loss Fund consisted of investments with an acquisition value of approximately $0.8 million and of Mortgage Loans with an aggregate principal balance of approximately $17.3 million, which amounts were in the aggregate at least equal to the Loan Loss Requirement as of such date. The amount on deposit in the Loan Loss Fund will be at least equal to the Loan Loss Requirement on the date of issuance of the 2006 Bonds. While amounts on deposit in the Loan Loss Fund are pledged under the Indenture, earnings and payments received with respect to such amounts do not constitute Pledged Revenues under the Indenture. The General Indenture permits, but does not require, Loan Loss Coverage in addition to any primary mortgage insurance covering Mortgage Loans for subsequent Series of Bonds.

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

Special Reserve Account

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

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

Bond Coverage Certificates

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

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

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

Additional Bonds

Additional Bonds (including refunding Bonds) may be issued pursuant to the General Indenture upon compliance with the provisions thereof, which include the requirement that no Additional Bonds may be issued (i) without the delivery of a Bond Coverage Certificate to the Trustee and (ii) unless the Unenhanced Ratings then assigned by the Rating Agencies to the then Outstanding Bonds (including the 2006 Bonds) will not be reduced as a result of the issuance of such Additional Bonds. The 2006 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 2006 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 MBIA INSURANCE CORPORATION BOND INSURANCE POLICY

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix E for a specimen of the Policy.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the Insurer set forth under the heading "The MBIA Insurance Corporation Bond Insurance Policy." Additionally, the Insurer makes no representation regarding the 2006 Bonds or the advisability of investing in the 2006 Bonds.

The MBIA Insurance Corporation Insurance Policy

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Corporation to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2006 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2006 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2006 Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2006 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the 2006 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2006 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a 2006 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association (a division of the Trustee), in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2006 Bonds or presentment of such other proof of ownership of the 2006 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2006 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 2006 Bonds in any legal proceeding related to payment of insured amounts on the 2006 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such 2006 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of the Insurer are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, the Insurer is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for the Insurer, limits the classes and concentrations of investments that are made by the Insurer and requires the approval of policy rates and forms that are employed by the Insurer. State law also regulates the amount of both the aggregate and individual risks that may be insured by the Insurer, the payment of dividends by the Insurer, changes in control with respect to the Insurer and transactions among the Insurer and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2006 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2006 Bonds. The Insurer does not guaranty the market price of the 2006 Bonds nor does it guaranty that the ratings on the 2006 Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, the Insurer had admitted assets of $10.3 billion (unaudited and restated), total liabilities of $7.0 billion (unaudited and restated), and total capital and surplus of $3.2 billion (unaudited and restated) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2005 the Insurer had admitted assets of $10.8 billion (unaudited), total liabilities of $7.1 billion (unaudited), and total capital and surplus of $3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning the Insurer, see the consolidated financial statements of the Insurer and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K/A of the Company for the year ended December 31, 2004 and the consolidated financial statements of the Insurer and its subsidiaries as of September 30, 2005 and for the nine month periods ended September 30, 2005 and September 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by the Insurer with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to the Insurer at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K/A for the year ended December 31, 2004; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

Any documents, including any financial statements of the Insurer and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K/A, and prior to the termination of the offering of the 2006 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K/A for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 (included as restated in third quarter 10-Q) and September 30, 2005) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to the Insurer at its principal executive offices.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2006 Bonds, exclusive of accrued interest, are expected to be approximately as follows:

Sources

Principal Amount of 2006 Bonds	$ 98,675,000
Corporation Funds	2,946,819
Original Issue Premium	1,322,779
TOTAL	$102,944,598

Uses

Deposit to 2006 Series Account of Program Obligation Fund	$100,000,000
Deposit to Debt Service Reserve Account	2,000,000
Payment of Costs of Issuance	250,000
Payment of Underwriting Fee	694,598
TOTAL	$102,944,598

THE 2006 BONDS

General

The 2006 Bonds will be dated, interest thereon will be payable on the dates, and such bonds will be issuable in the denominations, as set forth on the cover page.

The 2006 Bonds will mature on the dates and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to maturity (or prior redemption) at the applicable rates, as set forth on the inside cover page.

No transfer or exchange of any 2006 Bond will be required to be made during the five days preceding any date established by the Trustee for the selection of 2006 Bonds for redemption.

The 2006 Bonds are being issued only as fully registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the 2006 Bonds. See "Book Entry Only" below.

Redemption Provisions

Special Redemption

Redemption from Amounts in the Series Account of the Program Obligation Fund. The 2006 Bonds are subject to redemption at 100% of the original issue price thereof, plus accrued interest, from amounts in the 2006 Series A Account of the Program Obligation Fund not applied to purchase Program Obligations, at the option of the Corporation, on any date on or after December 1, 2006. Any amounts remaining in the 2006 Series A Account of the Program Obligation Fund on October 1, 2007 are required by the 2006 Series A Supplemental Indenture to be applied to redeem 2006 Bonds on December 1, 2007, at 100% of the original issue price thereof, plus accrued interest, unless the Corporation extends such dates in accordance with the Indenture, which requires, among other things, the filing of a Bond Coverage Certificate. Notwithstanding the foregoing, any amounts remaining in the 2006 Series A Account of the Program Obligation Fund on June 1, 2009 are required by the 2006 Series A Supplemental Indenture to be applied to redeem 2006 Bonds on July 25, 2009, at 100% of the original issue price thereof, plus accrued interest. Amounts available to redeem 2006 Bonds as described in this paragraph may be applied at the direction of the Corporation to any maturity of the 2006 Bonds, *provided* that the ratio of 2006 Bonds maturing June 1, 2036 ("2006 PAC Bonds") Outstanding to all 2006 Bonds Outstanding immediately following such redemption may not be less than such ratio immediately prior to such redemption.

Redemption from Amounts in the Series Subaccount of the General Account of the Redemption Fund. The 2006 Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, on any date beginning June 1, 2006, from amounts deposited in the 2006 Series A Subaccount of the General Account of the Redemption Fund. Amounts deposited in the 2006 Series A Subaccount of the General Account of the Redemption Fund may, at the option of the Corporation, be applied at the direction of the Corporation to redeem any maturity of the 2006 Bonds; *provided* that such amounts may be applied to redeem 2006 PAC Bonds only if and to the extent that the principal amount of such Bonds Outstanding exceeds the 2006 PAC Amount (set forth below) for the related period, *unless* otherwise required by the Code; *provided further, however,* that such amounts representing 2006 Series A Net Prepayments (defined below) may be applied to redeem 2006 PAC Bonds in any amount if no other 2006 Bonds remain Outstanding.

Amounts deposited in the 2006 Series A Subaccount of the General Account of the Redemption Fund are expected to consist primarily of (i) Pledged Revenues in excess of (a) scheduled debt service on the 2006 Bonds, (b) any amount required to replenish the Debt Service Reserve Account to the Debt Service Reserve Requirement, and (c) any amount required to fund the payment of Program Expenses; and (ii) amounts transferred at the option of the Corporation from the Loan Loss Fund equal to Uncovered Loan Losses with respect to 2006 Series A Mortgage Loans.

The Corporation may also transfer amounts from other Series Accounts of the Revenue Fund to the 2006 Series A Subaccount of the General Account of the Redemption Fund to redeem 2006 Bonds. See "Summary of Certain Provisions of the Indenture — Revenue Fund." Proceeds of the sale of Program Obligations constitute Pledged Revenues and may under certain circumstances be deposited in the Redemption Fund and used to redeem Bonds. See "Summary of Certain Provisions of the Indenture — Sale of Program Obligations."

At the option of the Corporation and upon filing a Bond Coverage Certificate, some of or all the amounts in the 2006 Series A Account of the Revenue Fund may be transferred (i) to the 2006 Series A Account of the Program Obligation Fund for the purchase of additional Program Obligations (provided that for such a transfer a Bond Coverage Certificate must be filed only if required by the Rating Agencies), (ii) to other Series Accounts of the Redemption Fund to redeem Bonds of other Series, or (iii) to the Corporation free and clear of the lien of the Indenture. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

Applicable Federal tax law requires redemption of the 2006 Bonds on or before certain dates and in certain amounts in order to maintain the exclusion from gross income for Federal income tax purposes of interest on the 2006 Bonds. See "Tax Matters — Other Requirements Imposed by the Code — Required Redemptions." Current Federal tax law requires a payment to the United States from certain mortgagors whose mortgage loans are originated after December 31, 1990. See "Tax Matters — Other Requirements Imposed by the Code — Recapture Provision." Since such recapture requirement remains in effect with respect to any mortgage loan subject thereto for a period ending nine years from the closing of such mortgage loan, the Corporation is unable to predict what effect, if any, such requirement will have on the origination or prepayment of Mortgage Loans to which such provision applies.

Special Mandatory Redemption. The 2006 PAC Bonds are subject to mandatory redemption, at 100% of the principal amount thereof, plus accrued interest, from amounts deposited in the 2006 Series A Subaccount of the General Account of the Redemption Fund or any other source of funds, on each June 1 and December 1, commencing December 1, 2006, in an amount equal to the lesser of (i) 2006 Series A Net Prepayments (defined below) and (ii) the amount by which the principal amount of such Bonds then Outstanding exceeds the 2006 PAC Outstanding Amount (set forth below and subject to adjustment as described below) for the related period.

"2006 Series A Net Prepayments" means, with respect to any June 1 or December 1, commencing December 1, 2006, an amount equal to the difference of (X) the sum of (i) aggregate scheduled principal repayments of 2006 Series A Mortgage Loans through such date and (ii) aggregate principal prepayments of 2006 Series A Mortgage Loans received as of the 60th day prior to such date; less (Y) the sum of (a) aggregate scheduled principal (including sinking fund payments) of 2006 Bonds due through such date and (b) aggregate prepayments of 2006 Series A Mortgage Loans received as of the 60th day prior to such date and previously applied to redeem 2006 PAC Bonds pursuant to the provisions described above under the subheading "Redemption from Amounts in the Series Subaccount of the General Account of the Redemption Fund" and under this subheading "Special Mandatory Redemption."

Period Ending	2006 PAC Outstanding Amounts
December 1, 2006	$31,140,000
June 1, 2007	30,135,000
December 1, 2007	28,565,000
June 1, 2008	26,470,000
December 1, 2008	23,930,000
June 1, 2009	21,400,000
December 1, 2009	18,985,000
June 1, 2010	16,695,000
December 1, 2010	14,520,000
June 1, 2011	12,455,000
December 1, 2011	10,505,000
June 1, 2012	8,660,000
December 1, 2012	6,920,000
June 1, 2013	5,290,000
December 1, 2013	3,760,000
June 1, 2014	2,330,000
December 1, 2014	1,000,000
June 1, 2015 and thereafter	0

The 2006 PAC Outstanding Amounts (subject to adjustment as described below) are based on assumptions (the "2006 PAC Assumptions") that include, among other assumptions, (a) receipt of principal prepayments on 2006 Series A Mortgage Loans in an amount equal to 100 percent of the Bond Market Association's (formerly known as the Public Securities Association) standard prepayment speed assumption model ("PSA") for 30-year mortgage loans (as further described below) and (b) proceeds of the 2006 Bonds being used to purchase Available Mortgage Loans as herein described. See "Program Obligations — Mortgage Loans — Available Mortgage Loans." If 2006 PAC Bonds are redeemed as described above under "Redemption from Amounts in the Series Account of the Program Obligation Fund" (an "Unexpended Proceeds Redemption"), then each 2006 PAC Outstanding Amount will be recalculated to be an amount equal to the product of (i) the original 2006 PAC Outstanding Amount and (ii) the fraction whose numerator is the remainder of (a) the original principal amount of 2006 PAC Bonds less (b) the cumulative principal amount of 2006 PAC Bonds redeemed pursuant to all such Unexpended Proceeds Redemptions, and whose denominator is the original principal amount of 2006 PAC Bonds.

The 2006 PAC Assumptions may differ from the assumptions made in establishing the dates and amounts of the Sinking Fund Installments and maturities of the 2006 Bonds. See "Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses." The Corporation makes no representation that actual experience will conform to the 2006 PAC Assumptions. If actual experience differs from the 2006 PAC Assumptions, the principal amount of 2006 PAC Bonds actually redeemed in each semiannual period pursuant to the provision described under this subheading may differ from that derived from the 2006 PAC Outstanding Amounts.

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The PSA model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. PSA does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans purchased with proceeds of the 2006 Bonds. One hundred percent PSA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100 percent PSA assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate series; *e.g.*, 200 percent PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid, weighted by the amount of such installment. The weighted average life of 2006 PAC Bonds will be influenced by, among other factors, the rate at which principal prepayments on 2006 Series A Mortgage Loans are received.

Set forth in the following table are the projected weighted average lives (in years) of 2006 PAC Bonds, based upon various rates of prepayment of the 2006 Series A Mortgage Loans expressed as percentages of the PSA standard prepayment model. The Corporation has made no projections as to the weighted average lives of 2006 PAC Bonds at rates of prepayment of the 2006 Series A Mortgage Loans exceeding 500% of PSA. The table assumes, among other things, that (i) 100 percent of the moneys deposited in the 2006 Series A Account of the Program Obligation Fund for the purpose of purchasing Program Obligations will be used to purchase 2006 Series A Mortgage Loans by January 26, 2006, (ii) all such Mortgage Loans are prepaid at the percentage of PSA indicated on the table, (iii) all principal prepayments and scheduled principal repayments of such Mortgage Loans are timely received and the Corporation experiences no foreclosure losses on such Mortgage Loans, (iv) there will be no optional redemption of such Bonds, (v) amounts available under the Indenture to be applied to the special redemption of Bonds will only be used to redeem Bonds of the related Series, and (vi) the remaining Bonds of a Series will not be redeemed as a consequence of the aggregate principal amount of such Bonds then Outstanding becoming equal to or less than 15% of the original aggregate principal amount of such Bonds. Some or all of such assumptions are unlikely to reflect actual experience.

Prepayment Speed (expressed as a percentage of PSA)	**Projected Weighted Average Life (in years)**
0%	24.9
25	17.4
50	10.9
75	6.3
100	5.0
150	5.0
200	5.0
300	5.0
400	5.0
500	5.0

The PSA model does not purport to be a prediction of the anticipated rate of prepayment of the 2006 Series A Mortgage Loans, and there is no assurance that such principal prepayments will conform to any of the assumed prepayment rates. No representation is made as to the percentage of the principal balance of the 2006 Series A Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment.

Redemption When 2006 Bonds Outstanding are 15% or Less of Initial Principal Amount. The 2006 Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, in whole on any date at the option of the Corporation and upon filing a Bond Coverage Certificate, from any source of funds, if the aggregate principal amount of then Outstanding 2006 Bonds (taking into account any 2006 Bonds otherwise to be redeemed on such date) is less than or equal to 15% of the aggregate initial principal amount of the 2006 Bonds ($14,801,250).

Sinking Fund Redemption

The 2006 Term Bonds are subject to mandatory redemption in part from sinking fund payments at 100% of the principal amount thereof, plus accrued interest, on the respective dates and in the respective principal amounts set forth below:

Sinking Fund Payments

Date	2006 Term Bonds Maturing December 1, 2020	2006 Term Bonds Maturing December 1, 2025	2006 Term Bonds Maturing December 1, 2030	2006 Term Bonds Maturing June 1, 2036	2006 Term Bonds Maturing December 1, 2036
June 1, 2016	$1,120,000				
December 1, 2016	1,150,000				
June 1, 2017	1,175,000				
December 1, 2017	1,205,000				
June 1, 2018	1,230,000				
December 1, 2018	1,260,000				
June 1, 2019	1,290,000				
December 1, 2019	1,320,000				
June 1, 2020	1,365,000				
December 1, 2020	1,400,000†				
June 1, 2021		$1,430,000			
December 1, 2021		1,480,000			
June 1, 2022		1,500,000			
December 1, 2022		1,550,000			
June 1, 2023		1,585,000			
December 1, 2023		1,625,000			
June 1, 2024		1,660,000			
December 1, 2024		1,700,000			
June 1, 2025		1,740,000			
December 1, 2025		1,785,000†			
June 1, 2026			$1,825,000		
December 1, 2026			1,870,000		
June 1, 2027			1,915,000		
December 1, 2027			1,960,000		
June 1, 2028			905,000	$1,100,000	
December 1, 2028			485,000	1,570,000	
June 1, 2029			500,000	1,605,000	
December 1, 2029			510,000	1,645,000	
June 1, 2030			520,000	1,690,000	
December 1, 2030			535,000†	1,725,000	
June 1, 2031				1,770,000	$ 545,000
December 1, 2031				1,815,000	560,000
June 1, 2032				1,860,000	580,000
December 1, 2032				1,905,000	595,000
June 1, 2033				1,950,000	610,000
December 1, 2033				2,000,000	625,000
June 1, 2034				2,045,000	640,000
December 1, 2034				2,100,000	655,000
June 1, 2035				2,150,000	670,000
December 1, 2035				2,205,000	685,000
June 1, 2036				2,270,000†	690,000
December 1, 2036					2,890,000†

† Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund payments) of 2006 Term Bonds of a particular 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.

Optional Redemption

The 2006 Bonds are subject to redemption, on any date on or after June 1, 2015, 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 2006 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 2006 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. 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.

Book Entry Only

General

The 2006 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2006 Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the 2006 Bonds are immobilized in the custody of DTC, references to holders or owners of 2006 Bonds (*except* under "Tax Matters") mean DTC or its nominee.

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

DTC will act as securities depository for the 2006 Bonds. The 2006 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee ("Cede"), or such other name as may be requested by an authorized representative of DTC. One fully-registered 2006 Bond certificate will be issued for each maturity of each Series thereof set forth on the inside 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 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 2006 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 2006 Bonds, except in the event that use of the book-entry system for the 2006 Bonds is discontinued.

To facilitate subsequent transfers, all 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of 2006 Bonds with DTC and their registration in the name of Cede or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 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 2006 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2006 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2006 Bonds may wish to ascertain that the nominee holding the 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a maturity of a Series of the 2006 Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede (nor such other DTC nominee) will consent or vote with respect to the 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2006 Bonds will be made to Cede, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER

THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2006 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 OR REDEMPTION PRICE OF OR INTEREST ON THE 2006 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 OF THE 2006 BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the 2006 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, 2006 Bond certificates are required to be printed and delivered as described in the Indenture.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2006 Bond certificates will be required to be printed and delivered as described in the Indenture.

If bond certificates are issued, the principal and interest due upon maturity or redemption of any of the 2006 Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such 2006 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 2006 Bond (prior to the maturity or earlier redemption thereof) will be made by the Trustee to the registered owner of such 2006 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 2006 Bonds.

If bond certificates are issued, the 2006 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 2006 Bond, nor of any 2006 Bond so selected for redemption, nor 10 days prior to an Interest Payment Date. If any 2006 Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new 2006 Bond or 2006 Bonds of the same interest rate, maturity and principal amount as the 2006 Bond or 2006 Bonds so mutilated, lost, stolen or destroyed, provided that such 2006 Bond is surrendered to the Trustee, or evidence of loss, destruction or theft, together with satisfactory indemnity, is provided to the Trustee. The fees and expenses of the Corporation and the Trustee in connection with such replacement shall be paid by the owner.

ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES

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

In establishing the dates and amounts of the Sinking Fund Installments and maturities of the 2006 Bonds, the following assumptions, among others, were made by the Corporation:

(1) no Additional Bonds will be issued;

(2) proceeds of the 2006 Bonds will be used on January 26, 2006 to purchase Available Mortgage Loans that as of October 31, 2005 bore interest at the rates and had outstanding principal balances and weighted average remaining terms as described under "Program Obligations — Mortgage Loans — Available Mortgage Loans";

(3) proceeds of the 2006 Bonds will be used to purchase approximately $14 million principal amount of 2006 Series A Mortgage Loans on January 26, 2006, with terms of 30 years from origination and a weighted average rate of interest of approximately 5.45% per annum;

(4) upon the issuance of the 2006 Bonds, the Corporation will with respect to such Bonds make deposits from its unrestricted general funds to the Debt Service Reserve Account and pay costs of issuance as reflected under "Estimated Sources and Uses of Funds";

(5) scheduled principal of and interest on Mortgage Loans will be paid on the thirtieth (30th) day following the scheduled payment date therefor, and Mortgage Loans will not be prepaid or otherwise terminated prior to maturity;

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

(7) amounts in all Funds and Accounts under the Indenture will be invested at an annual rate of 1.75% for the first four years following delivery of the 2006 Bonds, and 2.00% thereafter, except that amounts in the Loan Loss Fund were not considered in establishing the dates and amounts of the maturities of the 2006 Bonds;

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

(9) the annual premium due on the Policy will be equal to 0.0325% of the amount of then Outstanding 2006 Bonds.

The Corporation believes it is reasonable to make such assumptions, but no representation is made that the assumptions reflect any particular set of historical circumstances, no assurance can be given that actual receipt of amounts under the Indenture will be sufficient to pay debt service on the Bonds (including the 2006 Bonds) when due and Program Expenses of the Corporation and the Trustee under the Program, and to the extent that actual experience differs from any of the assumptions, availability of such amounts may be significantly affected. The Corporation has a history of actively recycling Mortgage Loan prepayments and excess revenues into new qualifying mortgage loans when economically appropriate and also when economically appropriate of using such amounts to redeem bonds and refund such redeemed bonds and thereafter make new qualifying mortgage loans, and presently intends to continue to do both.

PROGRAM OBLIGATIONS

Mortgage Loans

Prior Series Mortgage Loans

The following table sets forth certain information as of October 31, 2005 regarding the Prior Series Mortgage Loans.

Coupon Interest Rate	Outstanding Principal Balance	Weighted Average Remaining Term (in months)
0.000†%	$ 13,547,402	340
3.000	117,542	315
3.125	92,972	309
3.750	82,660	316
3.875	243,710	342
4.000	156,432	331
4.125	615,317	325
4.250	480,004	326
4.375	1,253,906	325
4.500	1,184,321	316
4.625	2,520,190	326
4.750	1,925,210	330
4.875	2,691,769	314
5.000	5,192,043	315
5.125	6,659,642	321
5.250	6,241,437	306
5.375	7,521,526	320
5.500	6,555,548	311
5.625	11,054,176	327
5.750	20,427,012	329
5.875	18,548,505	332
6.000	9,085,407	314
6.125	8,533,075	317
6.250	14,770,922	312
6.375	16,934,559	316
6.500	12,475,950	316
6.625	2,395,915	318
6.750	189,160	305
6.875	203,453	332
7.000	57,108	336
7.500†	4,857,755	347
8.000†	12,710,080	340
TOTAL	$189,324,710	

† Represent participations in loans with a weighted average coupon of 5.30% per annum.

The following table sets forth certain information as of October 31, 2005 regarding the type of primary mortgage insurance coverage originally applicable to the Prior Series Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Prior Series Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance
FHA Insurance	$ 97,400,642	51.45%
VA Guarantee	31,665,366	16.73
Uninsured†	26,969,543	14.25
Private Mortgage Insurance	18,852,925	9.96
FMH Insurance	14,436,235	7.63
TOTAL	$189,324,710	100.00%

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

The following table sets forth certain information as of October 31, 2005 regarding the type of dwellings securing Prior Series Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	$111,241,359	58.76%
Condominiums	62,087,934	32.79
2-4 Unit Dwellings	7,874,501	4.16
Zero Lot Line Dwellings	5,199,483	2.75
PUDs	2,921,433	1.54
TOTAL	$189,324,710	100.00%

The following table sets forth certain information as of October 31, 2005 regarding the location of the mortgaged property securing Prior Series Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance
Anchorage	$110,807,465	58.53%
Wasilla	23,318,541	12.32
Fairbanks	14,430,207	7.62
Palmer	10,726,573	5.67
Eagle River	8,050,846	4.25
North Pole	5,930,016	3.13
Other	4,186,325	2.21
Juneau	3,488,302	1.84
Kodiak	2,708,397	1.43
Kenai	2,581,362	1.36
Soldotna	1,538,880	0.81
Ketchikan	1,159,012	0.61
Chugiak	398,784	0.21
TOTAL	$189,324,710	100.00%

Available Mortgage Loans

The following table sets forth certain information as of October 31, 2005 regarding the Available Mortgage Loans. The Corporation generally intends to allocate a significant portion if not all of the Available Mortgage Loans to the 2006 Bonds. However, no assurance is given as to what portion, if any, of the Available Mortgage Loans will be allocated to the 2006 Bonds.

Coupon Interest Rate	Outstanding Principal Balance	Weighted Average Remaining Term (in months)
0.000%†	$ 5,734,933	350
4.125	269,370	359
4.250	265,251	359
4.375	1,452,729	359
4.500	1,291,689	345
4.625	4,602,286	358
4.750	1,333,674	358
4.875	2,174,104	358
5.000	2,955,364	358
5.125	4,546,454	358
5.250	3,057,281	358
5.375	11,256,212	358
5.500	8,759,484	355
5.625	17,238,101	358
5.750	3,161,157	359
5.875	743,303	359
7.500†	9,140,491	351
7.750†	118,396	353
7.875†	101,867	354
8.000†	8,109,168	354
TOTAL	$86,311,313	

† Represent participations in loans with a weighted average coupon of approximately 5.30% per annum.

The following table sets forth certain information as of October 31, 2005 regarding the type of primary mortgage insurance coverage originally applicable to the Available Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Available Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Available Mortgage Loans by Outstanding Principal Balance
FHA Insurance	$37,547,736	43.50%
VA Guarantee	17,866,324	20.70
Uninsured††	16,461,425	19.07
Private Mortgage Insurance	7,742,838	8.97
FMH Insurance	6,692,989	7.75
TOTAL	$86,311,313	100.00%

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

The following table sets forth certain information as of October 31, 2005 regarding the type of dwellings securing Available Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Available Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	$53,438,272	61.91%
Condominiums	31,291,503	36.25
2-4 Unit Dwellings	1,312,738	1.52
PUDs	268,801	0.31
TOTAL	$86,311,313	100.00%

The following table sets forth certain information as of October 31, 2005 regarding the location of the mortgaged property securing Available Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Available Mortgage Loans by Outstanding Principal Balance
Anchorage	$48,186,326	55.83%
Wasilla	8,779,365	10.17
Eagle River	7,720,163	8.94
Palmer	5,565,704	6.45
Fairbanks	4,303,629	4.99
Juneau	4,066,374	4.71
North Pole	2,046,227	2.37
Other	1,704,522	1.97
Chugiak	1,359,434	1.58
Kenai	813,244	0.94
Ketchikan	778,678	0.90
Kodiak	592,022	0.69
Soldotna	395,623	0.46
TOTAL	$86,311,313	100.00%

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

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

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

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

Pledge of Mortgage Loans

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

Primary Mortgage Insurance

The following description of certain primary mortgage insurance and guarantees (relating to individual Mortgage Loans) is only a brief outline and does not purport to summarize or describe all of the provisions thereof.

Any Mortgage Loan with an original principal amount exceeding 80% of the value of the mortgaged property is required to be (i) insured by the FHA, (ii) guaranteed by the VA, HUD or the FmHA, or (iii) insured under a private mortgage insurance policy in an amount (a) equal to 30% of the Mortgage Loan if the original loan-to-value ratio is between 90.01% and 95.00%, (b) equal to 25% of the Mortgage Loan if the original loan-to-value ratio is between 85.01% and 90.00% or (c) equal to 12% of the Mortgage Loan if the original loan-to-value ratio is between 80.01% and 85.00%. The only Mortgage Loans which the Corporation purchases at a loan-to-value ratio exceeding 95% are Federally insured or guaranteed Mortgage Loans. FHA insurance coverage and the HUD guarantee equal 100% of the outstanding principal balance of all FHA-insured or HUD-guaranteed Mortgage Loans. 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 FmHA 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% on any additional loss. The FHA insurance or VA, HUD or FmHA guarantee must be maintained for the entire period during which the Corporation owns an interest in the Mortgage Loan. A private mortgage insurance policy is required to be maintained in force and effect (a) for the period during which the Corporation owns an interest in the Mortgage Loan or (b) until the outstanding principal amount of the Mortgage Loan is reduced to 80% of the lesser of the original appraised value of the mortgaged property or the original sale price of the mortgaged property. The cost of any such insurance or guarantee will be paid by the mortgagor.

In general, FHA, VA, HUD and FmHA 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. Alternatively, where it is determined that the default was caused by circumstances beyond the control of the mortgagor, certain FHA regulations permit a mortgage lender to assign the mortgage to the FHA and receive insurance payments. In general, primary mortgage insurance benefits, as limited by the amount of coverage indicated above, are based upon the unpaid principal amount of the mortgage loan at the date of institution of foreclosure proceedings or the acquisition of the property after default, as the case may be, adjusted to reflect certain payments paid or received by the mortgage lender. Where property to be conveyed to an insurer has been damaged, it is generally required, as a condition to payment of an insurance claim, that such property be restored to its original condition (reasonable wear and tear excepted) by the mortgage lender prior to such conveyance or assignment.

Standard Homeowner Insurance Policies

The following is a brief description of standard homeowner 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 homeowner's 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 and qualified to provide insurance on or in connection with mortgages purchased by the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Association ("FNMA"). The mortgagor pays the cost of the standard homeowner insurance policy.

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

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

THE CORPORATION

Certain Definitions

"Authority" means the Alaska State Housing Authority.

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

"Committee" means the Legislative Budget and Audit Committee.

"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.

"Financial Plan" means the Corporation's internally prepared financial operating plan which compared projected financial requirements with anticipated financial resources.

"HALF" means the Housing Assistance Loan Fund.

"HOAP Program" means the Corporation's Home Owners Assistance Program.

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

"LB&A" means Legislative Budget and Audit.

"1995 Report" means the LB&A report dated February 9, 1995.

"1999 Report" means the LB&A report dated June 14, 1999.

"REO" means real estate owned.

"Self-Liquidity Bonds" means, collectively, the Corporation's \$33,000,000 Governmental Purpose Bonds (University of Alaska), 1997 Series A; the Corporation's \$62,450,000 Housing Development Bonds, 2000 Series A and B; the Corporation's \$370,170,000 Governmental Purpose Bonds, 2001 Series A, B, C and D; the Corporation's \$37,870,000 Housing Development Bonds, 2002 Series D; and the Corporation's \$60,250,000 State Capital Project Bonds, 2002 Series C.

"Transfer Plan" means the capital appropriation bill and agreement between the Corporation and the State described in the first paragraph under the caption "The Current Transfer Plan."

General

The Corporation was established in 1971 as a non-stock, public corporation and government instrumentality of the State. The Corporation currently functions as a major source of residential mortgage loan financing in the State. The Corporation's programs were originally established to take advantage of tax-exempt financing permitted under Federal income tax law. Mortgages which meet applicable Federal income tax requirements are financed by selling tax-exempt bonds. All other mortgages generally are financed through the issuance of taxable bonds or from internal funds. A substantial portion of the Corporation's mortgage purchase activities were funded in the taxable debt markets, including issuance of taxable bonds and the sale of securities in the Eurodollar market. Since 1972, the Corporation has acquired, by appropriation from the State and by purchase from approximately 48 independent originating lending institutions operating throughout the State, a portfolio of mortgage loans which, at October 31, 2005, had an unamortized principal balance of approximately $3.3 billion. On July 1, 1992, the Corporation succeeded to the public housing functions of the Authority and the rural housing and residential energy functions of the Department pursuant to legislation enacted in the State's 1992 legislative session. As a result, the rights and obligations created by bonds and notes that were previously issued by the Authority became rights and obligations of the Corporation.

The Corporation prepares and publishes on its website a monthly Mortgage and Bond Disclosure Report containing detailed information concerning characteristics of the Corporation's mortgage loan portfolios and outstanding bond issues, including bond redemptions and mortgage prepayments. The Corporation presently intends to continue to provide such information, but is not legally obligated to do so. Certain financial and statistical information relating to the Corporation and its programs under this heading "The Corporation" was obtained from the audited and unaudited financial statements of the Corporation dated June 30, 2005 and September 30, 2005, respectively. Certain additional financial and statistical information relating to the Corporation and its programs under this heading "The Corporation" was obtained from the October 2005 Mortgage and Bond Disclosure Report. Copies of such financial statements and disclosure reports may be obtained upon request from the Corporation. The Corporation's main office is located at 4300 Boniface Parkway, Anchorage, Alaska 99504, and its telephone number is (907) 338-6100. Electronic versions of the financial statements and disclosure reports are available at the Corporation's website.

Board of Directors, Staff and Organization

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

Name	Location
Mr. Franklin C. Roppel Chair	Retired Wrangell, Alaska
Mr. Bert Sharp	Retired Fairbanks, Alaska
Mr. Marty Shuravloff	Executive Director, Kodiak Island Housing Authority Kodiak, Alaska
Mr. N. Claiborne Porter	President, NCP Design/Build Ltd. Anchorage, Alaska
Mr. Bill Corbus Commissioner, Alaska Department of Revenue	**Mr. Thomas Boutin (designee)** Deputy Commissioner, Alaska Department of Revenue Juneau, Alaska
Mrs. Karleen Jackson Commissioner, Alaska Department of Health & Social Services	**Ms. Janet Clarke (designee)** Director of Administrative Services, Alaska Department of Health & Social Services Juneau, Alaska
Mr. Bill Noll Commissioner, Alaska Department of Commerce, Community & Economic Development	**Mr. Mark Davis (designee)** Director of Division of Banking and Securities Anchorage, Alaska

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

As of October 31, 2005, the Corporation's staff consisted of approximately 315 employees organized into 10 departments: Administrative Services, Mortgage Operations, Public Housing, Finance and Accounting, Planning and Program Development, Audit, Corporate Communications, Budget, Personnel, and Research and Rural Development. The principal officers and staff are as follows:

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

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

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

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

Barbara Baker - Director, Planning and Program Development. This department is responsible for the Corporation's program planning, grant writing and fund development. Ms. Baker worked at the Authority, prior to its merger with the Corporation, for four years as Director of Construction and Development. Ms. Baker has been in state government service since 1979, has held other management positions and has served as an economist with the Alaska Department of Labor. Ms. Baker holds a Bachelor of Arts degree in urban and regional planning from Western Washington University.

Robert L. Brean - Director, Research and Rural Development. Mr. Brean served previously as Deputy Commissioner of the Department of Community and Regional Affairs. He was with the Department, with the exception of two years, since 1983. Born in the village of Tanacross, Alaska, he has served as President of the Village Corporation for 22 years. A shareholder of Doyon Inc., Mr. Brean holds a degree in cultural anthropology/sociology from Alaska Methodist University.

Bryan D. Butcher - Director, Governmental Relations and Public Affairs. Mr. Butcher joined the Corporation in January 2003, and previously served as Legislative Liaison/Special Assistant. Prior to joining the Corporation, Mr. Butcher worked for the Alaska State Legislature as a Senior Finance Aide for the House and Senate Finance Committees from 1989 until 2002. Mr. Butcher holds a Bachelor of Science degree in Speech Communications from the University of Oregon.

Nola Cedergreen - Director, Administrative Services. Ms. Cedergreen is responsible for risk management, procurement, record management, asset management and information systems. From December 1987 until July 1992, she managed Alaskan Home Properties, the Corporation's real estate owned division. Her previous experience includes 12 years of real estate sales and management, working for both private and institutional owners. Ms. Cedergreen holds a Bachelor of Arts degree in organizational management from Alaska Pacific University and an Associate in Risk Management certification from the American Institute for CPCU and Insurance Institute of America.

Paul M. Kapansky - Director, Mortgage Operations. Mr. Kapansky joined the Corporation in July 1988 and served as Servicing Operations Director until July 1990; subsequently, he served as Mortgage Insurance Operations Director until August 1991 and as Mortgage Project Officer until November 1999. He had previously held a variety of positions with several Alaska financial institutions over a period of 18 years, including five years as a Vice President and seven years as a President. Mr. Kapansky holds a master's degree in business administration from the University of Alaska, Anchorage, and graduated with a Bachelor of Science degree in business administration from the University of Hartford.

Robert K. Tune - Director, Audit/Internal Audit. Mr. Tune has been with the Corporation since March 1993, serving as Assistant Auditor and now as the Internal Auditor. Mr. Tune was an Internal Review Specialist and System Administrator/Asset Servicing Officer with the Federal Deposit Insurance Corporation from July 1990 to March 1993. Mr. Tune is a graduate of Lewis and Clark College, Portland, Oregon, with a Bachelor of Science degree in business administration.

Wesley J. Weir - Director, Public Housing. Mr. Weir assumed his current duties in April of 1995. He previously served for two years as Program Manager for the North Slope Borough with primary responsibility for planning and design of water/sewer systems, health facilities and housing. Prior to that time he was employed by the State of Alaska for sixteen years, holding a variety of positions with responsibilities that included planning, design administration, construction administration, and maintenance and operations of State facilities. Mr. Weir holds a master's degree from Alaska Pacific University.

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

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

Gerard Deta - Financial Analyst II. Mr. Deta previously served as an auditor with Deloitte & Touche LLP from August 1999 until joining the Corporation in March 2001. Mr. Deta is a graduate of Southern Utah University with Bachelor of Science degrees in finance and accounting.

Activities of the Corporation

General

General. The principal activity of the Corporation is the purchase of residential mortgage loans. 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 generally continues to service the mortgage loan on behalf of the Corporation. 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."

Public Housing Programs. The Corporation performs certain public housing functions in the State. The Public Housing Division of the Corporation (the "Division") operates 1,687 units of Low Rent and Section 8 New Construction/Additional Assistance housing to serve low-income families, disabled persons and seniors in 14 different communities throughout Alaska. The Division also administers the rent subsidies for approximately 4,112 families located in private-sector housing through vouchers, certificates, and coupons issued pursuant to Section 8 of the National Housing Act. The Division's operating budget is funded primarily through contracts with HUD. The Division is engaged in a number of multifamily renovation and new construction projects throughout the State.

Lending

Loans to Sponsors Program. Under this program, the Corporation lends funds to a sponsor who in turn re-lends the monies to its borrowers (recipients) under terms and conditions approved by the Corporation. Eligible sponsors are non-profits, regional housing authorities, State agencies, or municipalities within the State. The sponsor's recipients are individuals or families whose income does not exceed 90% of the median income for the area. Loan funds may be used to provide housing loans or loans to improve the quality of housing. Ten loan commitments totaling approximately $39.0 million have been approved since the program's implementation in 1993.

Single Family Housing Programs. Of the Corporation's previous large subsidized mortgage loan programs, only a mortgage interest rate subsidy program for low-to-moderate income Alaskans remains. The interest rate subsidy is provided to such low-to-moderate income Alaskans on the first $50,000 of their eligible mortgage loans.

Rural Housing Programs. The Mortgage Operations Department administers a broad array of programs, including a principal program that relates to the administration of the HALF. The interest rate, which is applied to the first $250,000 of the loan only, is one percent below the rate established for the Corporation's taxable bond program. The HALF is used to acquire loans made in small communities throughout the state. As of October 31, 2005, the Rural Housing Program included mortgage loans with an aggregate outstanding principal balance of approximately $786.5 million.

Mortgage Loan Restructuring Programs. The Corporation has accomplished several large mortgage restructuring programs since 1987. The most recent of these programs, the Streamlined Refinance Program, started in March 1998 and allows applicants to obtain new financing secured by property that is currently financed by the Corporation without income, credit, or appraisal qualifications. Although current owner-occupancy is not required, the original loan must have been made to an owner-occupant and may have been a first or second lien, conforming or nonconforming. These loans may be insured conventionally or through FHA or guaranteed by the VA. As of October 31, 2005, the Streamlined Refinance Program included mortgage loans with an aggregate outstanding principal balance of approximately $349.7 million.

Senior Housing Revolving Loan Program. The State established the Senior Housing Office and Senior Housing Revolving Loan Program within the Department in 1991. In July of 1992, the Senior Housing Office and Revolving Loan Program were both transferred to the Corporation in connection with the merger between the Corporation and the Authority.

Affordable Homeownership Guaranteed Loan Program. The Affordable Homeownership Guaranteed Loan Program was designed to promote homeownership opportunities for low-to-moderate income borrowers by providing 5% interest rates. Loans under this program must be insured or guaranteed by FHA, FmHA (for loans in areas defined as small communities only) or the VA. The Corporation set aside $11,500,000 for loans in small communities and $103,500,000 for loans in other communities from funds related to the General Mortgage Revenue Bonds Program. The Corporation purchased 51 loans with an original principal balance of approximately $5.4 million in small communities and 858 loans with an original principal balance of approximately $87.2 million in the other communities. This program has been superseded by a further low interest rate loan program for low-to-moderate income borrowers as described below under "The Corporation — Activities of the Corporation — Bond Financed Programs — Interest Rate Reduction for Low Income Borrower Program."

Bond Financed Programs

Tax-Exempt First Time Homebuyer Program. The Corporation operates a Tax-Exempt First Time Homebuyer Program funded with the proceeds of Mortgage Revenue Bonds. Under this program, first mortgage loans which meet the requirements of the Code are purchased by the Corporation from qualifying originating lending institutions located throughout the State. Mortgage loans may be exchanged for mortgage-backed securities issued by GNMA, FNMA, and FHLMC. The mortgage loans and/or mortgage-backed securities are pledged to collateralize obligations of the Corporation. The Corporation purchased mortgage loans under the Tax-Exempt First Time Homebuyer Program during fiscal year 2005 with an approximate original principal balance of $172.0 million and during the four months ended October 31, 2005 with an approximate original principal balance of $48.6 million.

Taxable First Time Homebuyer Program. The Corporation began a Taxable First Time Homebuyer Program to address higher costs of housing in certain areas of the State. The program provides financing to first time homebuyers who do not meet the purchase price and income limits under the Tax-Exempt First Time Homebuyer Program. This program has been funded with a variety of sources, and the Corporation purchased mortgage loans under the Taxable First Time Homebuyer Program during fiscal year 2005 with an approximate original principal balance of $93.3 million and during the four months ended October 31, 2005 with an approximate original principal balance of $25.3 million.

Multifamily, Special Needs, and Congregate Housing Program. During 1991, the Corporation implemented a program of financing multifamily housing. It was subsequently modified to include special-needs and congregate facilities. The Corporation has issued twenty-three series of bonds totaling approximately $570.3 million in principal amount to finance loans under this program. The program is designed to provide traditional multifamily housing; transitional housing; and housing for the elderly, the developmentally disabled, and the homeless. A project may qualify for financing if it provides housing for persons of lower to moderate income or if it is located in a remote, under-developed or blighted area of the State and meets other requirements of the Corporation.

Veterans Mortgage Program. The Corporation operates a Veterans Mortgage Program under which first mortgage loans made to veterans meeting certain Federal requirements are purchased by the Corporation from qualifying originating lending institutions located throughout the State. Mortgage loans may be exchanged for mortgage-backed securities issued by GNMA, FNMA and FHLMC. The mortgage loans and/or mortgage-backed securities are pledged to collateralize tax-exempt obligations of the Corporation. Since 1983, the Corporation has issued approximately $2.2 billion principal amount of State-guaranteed Veterans Bonds, of which approximately $169.8 million principal amount was outstanding as of October 31, 2005. The Corporation purchased mortgage loans under the Veterans Mortgage Program during fiscal year 2005 with an approximate original principal balance of $12.7 million and during the four months ended October 31, 2005 with an approximate original principal balance of $4.8 million.

Governmental Purpose Bonds. As of October 31, 2005, the Corporation has issued approximately $973.2 million principal amount of Governmental Purpose Bonds primarily to finance capital expenditures of the State for governmental purposes, with certain proceeds available for general corporate purposes.

State Building Lease Bonds. In 1999, the Corporation issued $40,000,000 principal amount of bonds to finance the purchase of an office building in downtown Anchorage, Alaska. These bonds are primarily secured by an assignment of the payments on an Agreement of Lease between the Corporation and the State.

State Capital Projects. Pursuant to the Act and legislation enacted in 1998, 2000, 2002 and 2004, the Corporation issued bonds to finance designated capital projects of State agencies and instrumentalities. As of October 31, 2005, the Corporation has issued $381.2 million principal amount of bonds and disbursed $286.5 million of bond proceeds for these authorized projects.

Refinancing Activity. The proceeds from bond and note issues, combined with contributions from unrestricted funds of the Corporation, provide funding for the Corporation's mortgage purchase and mortgage refinancing activities. Since 1986, implementation of refinancing programs by the Corporation has resulted in the prepayment of outstanding mortgage loans (including mortgage loans represented by mortgage certificates) with a corresponding redemption at par of substantial amounts of the Corporation's notes or bonds secured by such mortgage loans (or mortgage certificates).

Interest Rate Reduction for Low Income Borrower Program. Effective July 1, 2001, this program provides an interest rate reduction to borrowers whose income is below 80% of area median income as established by HUD. An interest rate reduction of 0.5% is available to borrowers whose income is at least 60% but less than 80% of area median income; and an interest rate reduction of 1% is available to borrowers whose income is less than 60% of area median income. The interest rate reduction applies only to the first $180,000 of the loan. In general, this program is funded by means of zero percent interest rate participations in mortgage loans financed with proceeds of the Corporation's General Mortgage Revenue Bonds or with the Corporation's general unrestricted funds. Applicants generally must be first-time homebuyers, with some exceptions permitted based on the borrower's age and other factors. As of October 31, 2005, the Corporation through this program had purchased mortgage loans with an aggregate principal balance outstanding of $200.5 million.

Financing Activity

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 such maximum annual limit.

The Corporation's mortgage lending activities have been financed through the issuance of bonds and notes. Prior to its merger with the Corporation, the Authority also issued bonds and notes. The following table summarizes the aggregate amount of Corporation bonds and notes that have been issued and that remain outstanding. Information regarding the Corporation's bonds and notes is provided quarterly in the Corporation's Mortgage Loan and Bond Information Report. See "The Corporation — General."

Summary of Corporation Bonds and Notes
(000s)
As of October 31, 2005

	Tax-Exempt Bonds	Taxable Bonds And Notes[1]	Total
Amount Issued	$10,374,124	$4,313,215	$14,687,339
Amount Outstanding	$2,722,146	$320,385	$3,042,531

[1] Excluding $124.9 million of Commercial Paper with maturities not in excess of 180 days.

During the four months ended October 31, 2005 and the fiscal year ended June 30, 2005, the Corporation redeemed, exclusive of scheduled maturities and sinking fund payments, a total of $2,885,000 and $150,595,603, respectively, of debt, pursuant to provisions of the related agreements. These provisions include special optional and mandatory redemption features, including those that permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par.

In addition to the Corporation's loan activities financed with bond proceeds, a substantial portion of the Corporation's loan activities has been financed with loan prepayments and earnings derived from the permitted spread between borrowing and lending rates.

The Corporation entered into a Commercial Paper Notes agreement with a major domestic dealer permitting the issuance of up to $150 million of short-term unsecured notes. As of October 31, 2005, $124.9 million was outstanding under the Commercial Paper Notes Program. The Corporation's Commercial Paper Notes Program is rated "P-1" by Moody's, "A-1+" by S&P, and "F1+" by Fitch. The Corporation's Euro-Commercial Paper Program has no outstanding balance and, while still available, the Corporation does not intend to use the program to issue additional notes.

The Corporation negotiated a new Revolving Credit Agreement, currently in the amount of $200 million, on July 26, 2004 with a major European bank, under which the Corporation may borrow up to the principal amount of the facility for general corporate purposes. In addition, the Corporation may enter into reverse repurchase agreements, but as of October 31, 2005, there was no outstanding balance.

Since December 1997, the Corporation has issued nine series of Self-Liquidity Bonds. As of October 31, 2005, approximately $481.1 million aggregate principal amount of the Self-Liquidity Bonds were outstanding. The Self-Liquidity Bonds are variable rate demand obligations on which the interest rate currently is being reset weekly. In connection with each such interest rate reset and under various other circumstances, such bonds may be tendered or deemed tendered by the holders thereof for purchase and remarketing. Pursuant to related tender agreements, the Corporation has the obligation to purchase any such bonds so tendered or deemed tendered that cannot be remarketed. The obligation of the Corporation to make such purchases is a general obligation of the Corporation and 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.

During the four months ended October 31, 2005, the Corporation issued no long-term debt in support of its various ongoing lending programs.

Recent Financial Results of Operations

Reference is made to the audited and unaudited financial statements of the Corporation, which show that the Corporation's operating income for the fiscal year ended June 30, 2005 was $40.1 million, and operating income for the three months ended September 30, 2005 was $4.4 million, respectively. See "Financial Statements" and Appendix A — "Financial Statements of the Corporation."

The following is a summary of revenues, expenses and changes in net assets for the three months ended September 30, 2005 and each of the four fiscal years ended on or prior to June 30, 2005, which have been derived from the Corporation's unaudited and audited financial statements, respectively, prepared on a combined fund basis.

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

	Fiscal Year Ended June 30 2002	2003	2004	2005	(Unaudited) Three Months Ended September 30, 2005
Operating Revenues					
Mortgage and loan revenue	$222,446	$220,393	$206,300	$201,386	$48,492
Investment income	71,226	66,890	36,804	41,509	11,444
Rental and lease income	7,034	6,812	6,109	6,183	1,590
Externally funded program revenues	46,283	53,702	56,084	57,877	16,045
Other	2,241	644	743	2,252	134
Total Operating Revenue	349,230	348,441	306,040	309,207	77,705
Operating Expenses					
Interest	174,582	172,939	151,165	141,161	35,460
Mortgage Servicing Fees	12,933	12,894	13,059	13,130	3,372
Operations and administration	32,393	35,339	36,240	35,530	9,361
Financing costs - direct and amortized	4,823	5,118	6,236	7,760	1,555
Excess interest earnings to be rebated	(2,626)	5,378	(68)	4,181	112
Loan loss related items	2,690	(12,232)	(1,861)	(103)	3,617
Housing Grants	19,861	30,371	24,433	30,350	11,325
Federally funded rental subsidies	19,659	21,652	24,207	26,156	5,999
Rental housing operating expenses	9,255	9,905	10,149	10,985	2,504
Total Operating Expenses	273,570	281,364	263,560	269,150	73,305
Operating Income	75,660	67,077	42,480	40,057	4,400
Nonoperating Revenues (Expenses), Special Items & Transfers					
Settlement Income					
Contributions to the State of Alaska or other State agencies	(85,562)	(95,321)	(66,136)	(67,288)	(12,749)
Special items[1]	2,035		(7,451)	3,845	
HUD Capital Contributions					
Change in net assets	(7,867)	(28,244)	(31,107)	(23,386)	(8,349)
Net Assets Beginning of year	1,773,677	1,765,810	1,737,566	1,706,459	1,683,073
Net Assets End of Year	$1,765,810	$1,737,566	$1,706,459	$1,683,073	$1,674,724

(1) Special items. See Note 20 to the June 30, 2002 financial statements regarding the write-off of assets and liabilities related to the closing of an inactive program; Note 22 to the June 30, 2004 financial statements regarding prepayment premiums on early bond redemptions; and Note 21 to the June 30, 2005 financial statements regarding the sale of the Aurora loan.

Mortgage Loan Delinquency Experience of the Corporation

The following two tables summarize the Corporation's delinquency experience at the dates indicated with respect to all mortgage loans held by the Corporation regardless of the program under which such loans were acquired. In August 2003, the Corporation began including Mobile Homes II in its delinquency reports and began reporting its delinquency statistics based on aggregate dollar amounts of mortgage loans rather than numbers of loans.

Percent of Total Loans less Mobile Homes II[1] with Installments Past Due

Date	Number of Loans less Mobile Homes II	Total Past Due	30 Days	60 days	90 Days or More	Number of Loans Foreclosed During Calendar Year or Portion Indicated
December 31, 1992	37,332	4.12%	2.73%	0.66%	0.73%	265
December 31, 1993	30,196	3.90	2.77	0.59	0.54	192
December 31, 1994	29,688	3.49	2.52	0.50	0.48	103
December 31, 1995	28,807	3.38	2.48	0.53	0.38	84
December 31, 1996	26,765	3.69	2.70	0.63	0.36	77
December 31, 1997	26,163	3.30	2.39	0.54	0.38	59
December 31, 1998	26,329	3.11	2.24	0.56	0.12	41
December 31, 1999	26,915	2.97	2.00	0.60	0.37	36
December 31, 2000	29,163	3.38	2.38	0.65	0.35	48
December 31, 2001	29,924	3.49	2.48	0.56	0.45	59
December 31, 2002	28,441	3.99	2.92	0.68	0.39	57

(1) Percentages based on number of loans.

Percent of Total Loans with Installments Past Due[1]

Date	Mortgage Loans	Total Past Due	30 Days	60 Days	90 Days or More	Mortgage Loans Foreclosed During Calendar Year or Portion Indicated[1]
December 31, 2003	$3,348,640,801	2.71%	1.91%	0.44%	0.36%	$6,110,629
December 31, 2004	3,374,398,996	2.75	1.89	0.54	0.32	5,914,595
October 31, 2005[2]	3,303,583,249	3.12	1.98	0.63	0.51	2,893,129

(1) As of August 2003, all percentages are based on dollar values, and include Mobile Homes II.

(2) At October 31, 2005, the Corporation's REO portfolio, including Insurance Receivables, had an aggregate value of $9,520.

Legislative Activity/Transfers to the State

With respect to certain statements made under this heading, see "Forward-Looking Statements."

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. In 1997, the Corporation transferred to the State's general fund $20,000,000 made available as a consequence of certain bond retirements. 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.

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.

In 1998, the 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.

In 2000, the Legislature extended the Transfer Plan (as described above) through fiscal year 2008. In 2003, the Legislature extended the Transfer Plan indefinitely, further providing that the amount transferred in each fiscal year beginning with fiscal year 2007 should not in each case exceed the lesser of the following respective amounts:

Fiscal Year	Not to Exceed the Lesser of
2007	$103,000,000 or 95% of net income
2008	$103,000,000 or 85% of net income
2009 and thereafter	$103,000,000 or 75% of net income

In addition, in 2003, the Legislature authorized the issuance of $60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

Aggregate Transfers to Date under the Transfer Plan

The following reflects the aggregate transfers the Corporation has made to the State through June 30, 2005, or which, in the case of the University of Alaska deferred maintenance funding for other than student housing, were appropriated and incorporated in agreements where actual payments will be made as requested.

Transfer Type	Pre-FY02	FY02	FY03	FY04	FY05	Total
State Debt Repaid Early	$ 29,800,000					$ 29,800,000
State Asset Purchases	252,300,000					252,300,000
Dividend Plan Payments	114,300,000					114,300,000
State Equity Transfers	468,027,000	$ 6,000,000	$18,700,000	$ 8,861,000	$29,618,000	531,206,000
Other State Appropriations					2,078,000	2,078,000
State Capital Project Bond Fund	111,694,000	49,290,000	49,676,000	32,617,000	13,220,000	256,497,000
Non-Housing Capital Projects	152,550,000	30,272,000	26,945,000	24,658,000	22,372,000	256,797,000
Total	$1,128,671,000	$85,562,000	$95,321,000	$66,136,000	$67,288,000	$1,442,978,000

Corporation Budget Legislation

The Corporation's fiscal year 2006 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2005 legislative session, including the full level of funding requested by the Corporation for personnel and contractual costs. Consistent with the Transfer Plan, the enacted fiscal year 2006 operating budget estimated that $103,000,000 would be available from net income for payment of debt service, appropriation for capital projects and transfer to the Alaska debt retirement fund. The following table reflects the legislative allocation of the $103,000,000 that is considered available for fiscal years 2005 and 2006.

Amounts Made Available by the Corporation

	FY2006	FY2005
Transfer plan Total Available	$103,000,000	$103,000,000
Appropriations Enacted for Corporation		
Housing and Related Expenditures of Other Agencies	0	0
Debt Service on State Capital Project Bonds and University of Alaska Bonds of the Corporation	59,895,400	53,894,000
Other State Capital and Operating Expenditures	25,136,400	36,221,000
Housing Program Expenditures Appropriated to the Corporation	17,968,200	12,885,000
TOTAL	$103,000,000	$103,000,000

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.

Legislative Reviews

The 1995 Report included a review of the Financial Plan. The Transfer Plan described above was based upon the results of the Financial Plan.

The 1995 Report claimed that, after considering the $200,000,000 fiscal year 1995 transfer, a total of $445,000,000 could become excess to the Corporation during its next two fiscal years. The 1995 Report suggested that $295,000,000 could be transferred to the State during fiscal year 1996 and an additional $150,000,000 in fiscal year 1997. The 1995 Report was considerate of the potential impact additional transfers might have on the ratings of the Corporation's bonds and its ability to access capital markets. While observing that the Corporation's resources are sufficient to accommodate the removal of $445,000,000, the following comment was included in the 1995 Report:

> "We recommend the potential cumulative effect of bond ratings and investor confidences be considered before transferring additional assets from AHFC for general fund purposes."

On June 14, 1999, the Committee approved the 1999 Report. The 1999 Report contained the following conclusion:

> "We analyzed Alaska Housing Finance Corporation's (AHFC or corporation) financial statements and cash flow projections on the unrestricted general account, including critical assumptions. Based on this analysis, we determined there are no excess available assets beyond the annual $103 million commitment to the State through FY 06. Further, it appears there may be insufficient unrestricted cash to make available the $103 million in the final year of the eight-year series transfer agreement. We also determined that additional cash and investments totaling $8 million could be moved into the unrestricted general account from the Home Ownership Fund. Once in the unrestricted general account, these funds would be available for withdrawal. We reviewed AHFC's collateralization policy and found that changes had occurred since 1995."

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 2006 Bonds, see "The 2006 Bonds" and "Sources of Payment and Security for the Bonds."

Certain Definitions (Section 102)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

in the case of the principal bank in a bank holding company system, such bank holding company) has outstanding commercial paper rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch (if rated by Fitch);

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

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

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

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

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

(9) an Investment Agreement;

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

(11) any other investment of Rating Quality.

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

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

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

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

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

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

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

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

(4) be subject to an Insurance Policy.

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

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

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

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

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

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

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

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

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

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

"Program Expenses" means all the Corporation's expenses in carrying out and administering the Program and include, without limiting the generality of the foregoing, salaries; supplies; utilities; mailing; labor; materials; office rent; maintenance; furnishings; equipment; machinery and apparatus; insurance premiums; legal, accounting, management, consulting, and banking services expenses; bond insurance premiums; the fees and expenses of the Trustee and

Depositories, including counsel thereto; and payments for pension, retirement, health and hospitalization, and life and disability insurance benefits, all to the extent properly allocable to the Program.

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

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

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

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

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

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

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

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

"Uncovered Loan Losses" shall mean, 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.

"Unrestricted Mortgage Principal" means Mortgage Principal other than Restricted Mortgage Principal.

Indenture to Constitute a Contract (Section 203)

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

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

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

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

(ii) a copy of the Authorizing Indenture;

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

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

(v) a Bond Coverage Certificate;

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

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

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

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

Funds and Accounts (Section 501)

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

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

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

Program Obligation Fund (Section 502)

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

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

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

Revenue Fund (Section 503)

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

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

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

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

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

First, 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, (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 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 amounts then due from the Corporation or the Trustee to the counterparties under any Hedging Instruments have been paid on such Debt Service Payment Date; and provided, further, that no such withdrawal may be made (i) while proceeds of any Series are on deposit in the Program Obligation Fund and have not been either exchanged for Program Obligations or applied to the redemption of Bonds of such Series or (ii) for sixty days following any period described in (i); and provided, further, that no such funds derived from the proceeds of tax-exempt Bonds may be so released without a Counsel's Opinion to the effect that such release will not adversely affect the tax-exemption of interest on the tax-exempt Bonds from which such funds were derived. Any amounts remaining in the Debt Service Reserve Account five days after each following Debt Service Payment Date in excess of the Debt Service Reserve Requirement will be transferred by the Trustee to the Account or Accounts of the Revenue Fund for the related Series of Bonds. On future Debt Service Payment Dates, the Trustee will, at the direction of the Corporation, transfer any amounts in the Debt Service Reserve Account that are in excess of the Debt Service Reserve Requirement to the Series Account or Accounts of the Revenue Fund for the related Series of Bonds.

Redemption Fund (Section 504)

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

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

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

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

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

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

Notwithstanding the foregoing, if amounts in any Series Subaccount of the Interest Account or the Principal Account are not adequate to pay interest or principal (including Sinking

Fund Installments) due with respect to the applicable Series of Bonds or any Authorized Hedging Payments required to be made by the Corporation or the Trustee to a counterparty under a related Hedging Instrument, amounts will be withdrawn from one or more Series Accounts of the Revenue Fund or the Redemption Fund to pay such interest or principal or required payments. Such transfers will be made in accordance with the directions of the Corporation or if no such direction is given from any Series Account of the Revenue Fund or the Redemption Fund. All such transfers will be made before any transfers of Pledged Revenues to the Operating Account or the General Account.

Rebate Fund (Section 505)

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

Bond Purchase Fund (Section 506)

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

Loan Loss Fund (Section 507)

The Trustee and the Corporation shall make deposits into, and withdrawals and disbursements from the Loan Loss Fund in accordance with the Indenture. The Corporation shall maintain at all times an amount in the Loan Loss Fund equal to the Loan Loss Requirement. The Loan Loss Fund may be funded with any combination of cash or investments described in paragraphs 1, 2 and 11 of the definition of Investment Securities, *provided* that, from and after the delivery to the Trustee of a Bond Coverage Certificate demonstrating clause (i) of the definition of Parity, 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 on the third Business Day prior to any Debt Service Payment Date the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay, or to reimburse the payment of, Debt Service Payments on such Debt Service Payment Date, any deficiency in each such Account shall be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Loan Loss Fund.

Investments (Sections 513 and 515)

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

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

Investment Agreements (Section 514)

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

No Limitation on Additional Collateral Contributions (Section 516)

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

Payment of Bonds (Section 701)

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

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

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

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

> (i) The counterparty (or guarantor of the counterparty) of each Hedging Instrument shall have a rating at the time of execution of the Hedging Instrument of its long-term debt obligations of at least "A-" or higher if rated by S&P or Fitch and "A3" or higher if rated by Moody's; and
>
> (ii) No Hedging Instrument may be entered into by the Corporation if the entry into such Hedging Instrument would cause any Unenhanced Rating on any Bonds to be reduced or withdrawn.

Tax Covenants (Section 706)

The Corporation covenants to:

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

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

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

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

Accounts and Reports (Section 707)

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

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

Sale of Program Obligations (Section 709)

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

Supplemental Indentures (Sections 801, 802 and 803)

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

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

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

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

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

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

(vi) modify any of the provisions of the Indenture in any respect whatsoever, provided that (1) such modification does not materially adversely affect any owner of Bonds or (2) such modification is, and is expressed to be, effective only after all Bonds Outstanding at the date of adoption of such Supplemental Indenture cease to be Outstanding, or (3) such modification is, and is expressed to be, applicable only to Bonds issued on or after the date of the adoption of such Supplemental Indenture, or

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

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

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

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

(iii) provide for additional duties of the Trustee.

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

Events of Default (Section 1002)

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

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

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

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

Remedies (Section 1003)

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

Priority of Payments after Default (Section 1004)

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

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

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

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

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

Bondholders' Direction of Proceedings (Section 1006)

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

Limitation on Rights of Bondholders (Section 1007)

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

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

Trustee (Sections 1104, 1107 and 1108)

Except during the existence of an Event of Default, the Corporation may remove the Trustee at any time for such cause as is determined in the sole discretion of the Corporation. The removal of the Trustee will not take effect until its successor has accepted its appointment. Any successor to the Trustee is required to be a trust company, savings bank or commercial bank having capital and surplus aggregating at least $50,000,000. The Corporation is required to pay to the Trustee from time to time, from available moneys in the Operating Account, 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, and the Trustee will have a first lien upon Pledged Revenues to secure the payment of all sums due the Trustee.

Defeasance (Section 1201)

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

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

Liquidity Providers (Section 1203)

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

Legal Holidays (Section 1207)

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

Governing Law (Section 1208)

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

TAX MATTERS

Opinions of Bond Counsel and Special Tax Counsel

In the opinions of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the 2006 Bonds, assuming compliance with certain covenants which are designed to meet the requirements of the Code, under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2006 Bonds is excluded from gross income for Federal income tax purposes; and (ii) interest on the 2006 Bonds is a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

In the opinion of Bond Counsel, interest on the 2006 Bonds is free from taxation by the State under existing law (*except* that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

General

The requirements of applicable Federal tax law must be satisfied with respect to the 2006 Bonds in order that interest on such Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Code provides that interest on obligations of a governmental unit such as the Corporation issued to finance, or to refund bonds issued to finance, single family residences (such as the 2006 Bonds) is not included in gross income for Federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations and the use of the funds generated by the issuance of the obligations, the nature of the residences and the mortgages, and the eligibility of the borrowers executing the mortgages.

Loan Eligibility Requirements Imposed by the Code

The Code contains the following loan eligibility requirements that are applicable to Mortgage Loans financed with proceeds attributable to the 2006 Bonds in order that interest on the 2006 Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof.

Residence Requirement

The Code requires that each of the premises financed with proceeds of qualified mortgage bonds be a one-to-four-family residence, one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence must have been occupied as a residence at least five years before the mortgage is executed. Certain documents adopted by the Corporation that establish procedures to be followed in connection with the financing of Mortgage Loans with amounts attributable to the 2006 Bonds in order to assure that interest paid on the 2006 Bonds not be included in gross income for Federal income tax purposes under the Code (the "Program Documents") require each mortgagor to submit an affidavit stating such person's intention to occupy the premises as his principal residence within 60 days after closing of the Mortgage Loan. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the mortgagor is required by the Program Documents to certify that the residence was first occupied as a residence at least five years before the Mortgage Loan was executed.

First-Time Homebuyer Requirement

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

New Mortgage Requirement

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

Purchase Price Limitation

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

Income Limitation

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

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

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

Requirements as to Assumptions

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

General

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

Other Requirements Imposed by the Code

General

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

The first general requirement of the Code applicable to the Corporation's Program is that the aggregate amount of private activity bonds that may be issued by the Corporation in any calendar year (or previous years' carried forward amount) must not exceed the portion of the private activity bond volume limit for the State for such calendar year that is allocated to the Corporation. The 2006 Bonds are within the applicable limit for the Corporation. The second general requirement of the Code applicable to the Corporation's Program is that at least 20% of the lendable proceeds of an issue of bonds must be made available (and applied with reasonable diligence) for owner-financing of residences in targeted areas (as defined by the Code) for at least one year after the date on which such funds are first available for such owner-financing (the "targeted area requirement"). The Corporation has covenanted to comply with such requirements to the extent required by the Code.

The Code requires the issuer of qualified mortgage bonds to file with the Internal Revenue Service reports on the issuance of its qualified mortgage bonds following such issuance, as well as an annual qualified mortgage loan information report. The Corporation has covenanted to file, as required, such reports with respect to the mortgage loans financed by the 2006 Bonds.

The Code requires that the effective interest rate on mortgage loans financed with the lendable proceeds of qualified mortgage bonds may not exceed the yield on the issue by more than 1.125% and that certain investment earnings on non-mortgage investments, calculated based upon the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were invested at a yield equal to the yield on the 2006 Bonds, be rebated to the United States. The Corporation has covenanted to comply with these requirements and has established procedures to determine the amount of excess earnings, if any, that must be rebated to the United States.

Recapture Provision

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

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

Required Redemptions

The Code requires redemption of certain qualified mortgage bonds issued after 1988 from unexpended proceeds required to be used to make mortgage loans that have not been used within 42 months from the date of issuance (or the date of issuance of the original bonds in the case of refundings of unexpended proceeds), *except* for a $250,000 *de minimis* amount. As a result, the Corporation may be required by the Code to redeem the 2006 Bonds from unexpended proceeds attributable to the 2006 Bonds. Additionally, for bonds issued after 1988, the Code permits repayments (including prepayments) of principal of mortgage loans financed with the proceeds of an issue of bonds to be used to make additional mortgage loans for only 10 years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of refundings), after which date such amounts must be used to redeem bonds, *except* for a $250,000 *de minimis* amount. As a result, the Corporation may be required by the Code to redeem 2006

Bonds from repayments (including prepayments) of principal of Mortgage Loans financed with proceeds attributable to the 2006 Bonds.

Compliance

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the 2006 Bonds. The arbitrage certificate of the Corporation, which will be delivered concurrently with the delivery of the 2006 Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code, and the Corporation has included provisions in the Program Documents that establish procedures, including receipt of certain affidavits and warranties from Mortgage Lenders and mortgagors, in order to assure compliance with the loan eligibility requirements and other requirements that must be satisfied subsequent to the date of issuance of the 2006 Bonds. The Corporation also has covenanted in the Indenture to do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid on the 2006 Bonds shall not be included in gross income for Federal income tax purposes and, for such purpose, to adopt and maintain appropriate procedures. Failure to comply with these covenants may result in interest on the 2006 Bonds being included in gross income for Federal income tax purposes from the date of issuance of the 2006 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 can not 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 2006 Bonds may affect the tax status of interest on the 2006 Bonds.

Original Issue Discount

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

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

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

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

Original Issue Premium

Bonds sold at an initial public offering price that is greater than the stated amount to be paid at maturity (such as the 2006 PAC Bonds) constitute "Premium Bonds." An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Certain Additional Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2006 Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of 2006 Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2006 Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the 2006 Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the 2006 Bonds may otherwise affect the Federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel and Special Tax Counsel express no opinion regarding any such consequences. Purchasers of the 2006 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 2006 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 2006 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 2006 Bonds should consult his or her own tax advisor regarding any pending or proposed Federal tax legislation. Bond Counsel and Special Tax Counsel express no opinion regarding any pending or proposed Federal tax legislation.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the Rule, the Corporation will execute and deliver the Continuing Disclosure Certificate. The Corporation will undertake to provide each Nationally Recognized Municipal Securities Information Repository, and if and when one is established, the Alaska State Information Depository, on an annual basis on or before 135 days after the end of each fiscal year for the Corporation, commencing with the fiscal year ending June 30, 2006, the financial and operating data concerning the Corporation outlined in the Continuing Disclosure Certificate. In addition, the Corporation will undertake, for the benefit of the registered owners and beneficial owners of the 2006 Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board, and to the State Information Depository, in a timely manner, the notices described in the Continuing Disclosure Certificate.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the 2006 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

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

RATINGS

S&P is expected to assign the 2006 Bonds a rating of "AAA", Moody's is expected to assign the 2006 Bonds a rating of "Aaa", and Fitch is expected to assign the 2006 Bonds a rating of "AAA". The assignment of such respective ratings by S&P, Moody's and Fitch to the 2006

Bonds is conditioned upon the delivery of the Policy by the Insurer substantially in the form set forth as Exhibit E hereto at the time of delivery of the 2006 Bonds. Such ratings on the 2006 Bonds will expire on the termination of the Policy. The obligation of the Underwriters to purchase the 2006 Bonds is conditioned on the assignment by S&P, Moody's and Fitch of the respective aforementioned ratings to the 2006 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 2006 Bonds.

FINANCIAL STATEMENTS

The unaudited financial statements of the Corporation as of and for the three months ended September 30, 2005, included in Appendix A to this Official Statement, appear without review or audit by an independent accountant.

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2005 and the Corporation's current annual report will be mailed to any Beneficial Owner who shall have filed his name and address with the Corporation for such purpose.

INDEPENDENT AUDITORS

The financial statements of Corporation as of and for the year ended June 30, 2005, included in Appendix A to this Official Statement, have been audited by Mikunda, Cottrell & Co., independent auditors, as stated in their report appearing herein.

LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution, authentication, or delivery of the 2006 Bonds, or in any way contesting or affecting the validity of such 2006 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 2006 Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the 2006 Bonds and certain Federal and state tax matters are subject to the approval of Birch, Horton, Bittner and

Cherot, Anchorage, Alaska, Bond Counsel. Certain Federal tax matters will be passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

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 2006 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 2006 Bonds.

UNDERWRITING

The 2006 Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the 2006 Bonds at the price of $99,997,778.60 (equal to to the principal amount of the 2006 Bonds, plus original issue premium of $1,322,778.60 on the 2006 PAC Bonds), plus accrued interest, if any. The Underwriters will be paid a fee of $694,598.35 with respect to the 2006 Bonds. The Bond Purchase Agreement with respect to the 2006 Bonds provides that the Underwriters will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The initial public offering prices and yields of the 2006 Bonds may be changed from time to time by the Underwriters. The Bond Purchase Agreement with respect to the 2006 Bonds provides that the Underwriters may offer and sell the 2006 Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower or yields higher than the public offering prices and yields of the 2006 Bonds set forth on the inside cover page.

UBS Financial Services Inc. has announced its intention to transfer its Municipal Securities Group to UBS Securities LLC once appropriate regulatory and operational steps have been accomplished. If such transfer is formally completed on or before the date of consummation of the contemplated transaction, underwriting and related services will be performed by the Municipal Securities Group as a business unit of UBS Securities LLC.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation in connection with the issuance of the 2006 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2006 Bonds is contingent upon the issuance and delivery of the 2006 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 2006 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

FORWARD-LOOKING STATEMENTS

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

ADDITIONAL INFORMATION

The summaries and references herein to the Act, the 2006 Bonds, the Indenture and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the address and telephone number of the Corporation's main office.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the owner of any 2006 Bonds.

APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

Alaska Housing
FINANCE CORPORATION

a component unit of the State of Alaska

Quarterly Unaudited
Financial Statements
September 30, 2005

With Summarized Financial Information for
June 30, 2005

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FINANCIAL STATEMENTS

This is an unaudited quarterly publication of Alaska Housing Finance Corporation.
For comments or questions:

Web site: **http://www.ahfc.us/financials.htm**
E-Mail: **dboyce@ahfc.state.ak.us**

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of September 30, 2005

(with summarized financial information for June 30, 2005)

(in thousands of dollars)

Unaudited

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
ASSETS			
Current			
Cash	1,457	112	256
Investments	375,026	25,238	18,155
Accrued interest receivable	4,280	2,440	3,204
Mortgage loans, notes and other loans	33,683	5,906	9,369
Net investment in direct financing lease	-	-	-
Other assets	693	51	16
Intergovernmental receivable	42	-	-
Total Current	415,181	33,747	31,000
Non Current			
Investments	-	113,186	135,278
Mortgage loans, notes and other loans, net of allowance	639,763	257,796	266,810
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	3,853	1,539
Capital assets - non-depreciable	148	-	-
Capital assets - depreciable, net	275	-	-
Other assets	1,633	-	-
Total Non Current	641,819	374,835	403,627
Total Assets	1,057,000	408,582	434,627
LIABILITIES			
Current			
Bonds and notes payable	-	6,095	5,755
Short term debt	124,013	-	-
Accrued interest payable	673	5,685	2,759
Other liabilities	4,907	480	1,085
Intergovernmental payable	-	-	-
Total Current	129,593	12,260	9,599
Non Current			
Bonds and notes payable	-	416,926	310,280
Other liabilities	637	-	-
Total Non Current	637	416,926	310,280
Total Liabilities	130,230	429,186	319,879
NET ASSETS			
Invested in capital assets, net of related debt	423	-	-
Restricted by bond resolutions	-	-	114,748
Restricted by contractual or statutory agreements	170,939	-	-
Unrestricted net assets, (deficit)	755,408	(20,604)	-
Total Net Assets	926,770	(20,604)	114,748

See accompanying notes to the financial statements.

Exhibit A

Other Non-Major Funds	Total September 30, 2005	Total June 30, 2005
5,827	7,652	9,769
216,787	635,206	699,453
13,310	23,234	20,762
52,784	101,742	83,364
1,980	1,980	1,799
8,983	9,743	11,364
444	486	715
300,115	780,043	827,226
350,674	599,138	519,962
2,044,083	3,208,452	3,241,818
28,110	28,110	31,044
19,495	24,887	25,135
40,377	40,525	40,691
76,348	76,623	75,382
42	1,675	1,675
2,559,129	3,979,410	3,935,707
2,859,244	4,759,453	4,762,933
80,717	92,567	90,977
-	124,013	138,375
34,550	43,667	14,147
11,103	17,575	19,264
2,799	2,799	3,007
129,169	280,621	265,770
2,070,503	2,797,709	2,807,753
5,762	6,399	6,337
2,076,265	2,804,108	2,814,090
2,205,434	3,084,729	3,079,860
116,178	116,601	115,519
483,688	598,436	589,070
73,439	244,378	157,954
(19,495)	715,309	820,530
653,810	1,674,724	1,683,073

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Three Months Ended September 30, 2005
(with summarized financial information for June 30, 2005)
(in thousands of dollars)
Unaudited

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
OPERATING REVENUES			
Mortgage and loans revenue	9,630	5,075	4,282
Investment interest	3,915	1,117	1,605
Net change in the fair value of investments	(1,234)	141	29
Total Investment Revenue	2,681	1,258	1,634
Externally funded programs	-	-	-
Rental	-	-	-
Other	14	-	-
Total Operating Revenues	12,325	6,333	5,916
OPERATING EXPENSES			
Interest	1,112	4,786	3,100
Mortgage and loan costs	845	140	302
Operations and administration	864	366	351
Financing expenses	334	149	247
Provision for loan loss	1,548	3,333	(88)
Housing grants and subsidies	128	-	-
Rental housing operating expenses	-	-	-
Total Operating Expenses	4,831	8,774	3,912
Operating Income (Loss)	7,494	(2,441)	2,004
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS			
Contributions to the State of Alaska or other State agencies	(9,427)	-	-
Special Item (note 21)	-	-	-
Transfers - Internal	(6,349)	(562)	566
Change in Net Assets	(8,282)	(3,003)	2,570
Net assets at beginning of year	935,052	(17,601)	112,178
Net Assets at End of Period	926,770	(20,604)	114,748

See accompanying notes to the financial statements.

Other Non-Major Funds	Total September 30, 2005	Year Ended June 30, 2005
29,505	48,492	201,386
6,070	12,707	43,162
(199)	(1,263)	(1,653)
5,871	11,444	41,509
16,045	16,045	57,877
1,590	1,590	6,183
120	134	2,252
53,131	77,705	309,207
26,462	35,460	141,161
2,085	3,372	13,130
7,780	9,361	35,530
937	1,667	11,941
(1,176)	3,617	(103)
17,196	17,324	56,506
2,504	2,504	10,985
55,788	73,305	269,150
(2,657)	4,400	40,057
(3,322)	(12,749)	(67,288)
-	-	3,845
6,345	-	-
366	(8,349)	(23,386)
653,444	1,683,073	1,706,459
653,810	1,674,724	1,683,073

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
For the Three Months Ended September 30, 2005
(with summarized financial information for June 30, 2005)
(in thousands of dollars)
Unaudited

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
Cash flows from operating activities:			
Interest income on mortgages and loans	8,913	5,093	4,276
Principal payments received on mortgages and loans	15,435	9,206	15,801
Purchases of mortgages and loans	(149,457)	-	-
Receipt (payment) for loan transfers between funds	79,195	(22,113)	-
Payments to employees and other payroll disbursements	(6,910)	-	-
Payments for goods and services	(13,686)	(17)	-
Cash received for externally funded programs	261	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Other operating cash receipts	1,026	-	-
Other operating cash payments	(415)	-	-
Net cash provided by (used for) operating activities	(65,638)	(7,831)	20,077
Cash flows from noncapital financing activities:			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(42)	-	-
Interest paid	(1,015)	(693)	(1,323)
Proceeds from issuance of short term debt	200,056	-	-
Payment of short term debt	(214,515)	-	-
Contributions to the State of Alaska or other State agencies	(12,003)	-	-
Transfers (to) from other funds	20,052	(2,548)	-
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	(7,467)	(3,241)	(1,323)
Cash flows from capital financing activities:			
Acquisition of capital assets	(2,470)	-	-
Proceeds from the disposal of capital assets	-	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	(7)	-	-
Payment of bond issuance costs	-	-	-
Interest paid on capital notes	-	-	-
Proceeds from the direct financing lease payments	-	-	-
Net cash provided by (used for) capital financing activities	(2,477)	-	-
Cash flows from investing activities:			
Purchase of investments	(1,032,516)	(73,010)	(118,626)
Proceeds from maturity of investments	1,103,520	81,766	99,330
Interest received from investments	3,833	2,084	232
Net cash provided by (used for) investing activities	74,837	10,840	(19,064)
Net increase (decrease) in cash	(745)	(232)	(310)
Cash at the beginning of year	2,202	344	566
Cash at the end of period	1,457	112	256
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	7,494	(2,441)	2,004
Adjustments:			
Depreciation expense	26	-	-
Provision for loan losses	1,548	3,333	(88)
Amortization of bond issuance costs	-	36	8
Net change in the fair value of investments	1,234	(141)	(29)
Transfers between funds for operating activity	(23,151)	408	424
Interest received from investments	(3,833)	(2,084)	(232)
Interest paid	1,015	693	1,323
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(54,827)	(12,907)	15,801
Net increase (decrease) in assets and liabilities	4,856	5,272	866
Net cash provided by (used for) operating activities	(65,638)	(7,831)	20,077
Noncash investing, capital and financing activities:			
Asset transfers	(1,375)	1,375	

See accompanying notes to the financial statements.

	Other Non-Major Funds	Total September 30, 2005	Year Ended June 30, 2005
	29,986	48,268	201,929
	119,081	159,523	542,245
	-	(149,457)	(567,521)
	(57,082)	-	-
	-	(6,910)	(25,535)
	(8)	(13,711)	(49,520)
	6,872	7,133	22,611
	7,942	7,942	32,908
	(7,671)	(7,671)	(32,916)
	1,898	2,924	62,961
	(4)	(419)	(7,012)
	101,014	47,622	180,150
	-	-	405,993
	(5,686)	(5,686)	(240,366)
	-	-	(173,820)
	-	(42)	(3,518)
	(2,185)	(5,216)	(143,086)
	-	200,056	828,416
	-	(214,515)	(760,477)
	(1,157)	(13,160)	(65,828)
	(17,504)	-	-
	-	-	(130)
	(26,532)	(38,563)	(152,816)
	-	(2,470)	(11,055)
	-	-	739
	-	-	24,000
	(534)	(541)	(1,106)
	-	-	(200)
	(289)	(289)	(1,033)
	1,734	1,734	-
	911	(1,566)	11,345
	(662,969)	(1,887,121)	(7,751,993)
	583,469	1,868,085	7,675,078
	3,277	9,426	40,066
	(76,223)	(9,610)	(36,849)
	(830)	(2,117)	1,830
	6,657	9,769	7,939
	5,827	7,652	9,769
	(2,657)	4,400	40,057
	1,134	1,160	5,072
	(1,176)	3,617	(103)
	245	289	2,725
	199	1,263	1,653
	22,319	-	-
	(3,277)	(9,426)	(40,066)
	2,474	5,505	144,119
	61,999	10,066	22,192
	19,754	30,748	4,501
	101,014	47,622	180,150

FOOTNOTE INDEX

NOTES TO FINANCIAL STATEMENTS
Unaudited

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2005)

1 AUTHORIZING LEGISLATION AND FUNDING

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska (State), was created in 1971, and substantially modified in 1992, by acts of the Alaska State Legislature (Legislature) to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. The Corporation is authorized by the Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State of Alaska. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development (HUD), Energy (DOE), and Health and Human Services (HHS), as well as capital and operating subsidies from the Corporation's own funds.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

Summarized financial information for fiscal year 2006 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Corporation's entity-wide financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, result of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

Major and Non-Major Funds

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

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

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

Government Purpose Bonds 2001 A-D. This fund accounts for debt issued and assets pledged for payment of the debt under the 2001 Series A-D Supplemental Indenture dated as of July 1, 2001.

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

Restricted Net Assets

The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 16, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The significant estimate for the Corporation is the allowance for loan losses.

Investments

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

Accrued Interest Receivable on Loans and Real Estate Owned

Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

Loans

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Under previous agreements, the Corporation exchanged mortgages for mortgage-backed securities (MBSs) with Federal Home Loan Mortgage Corporation (FHLMC) and issued mortgage certificates guaranteed by the Government National Mortgage Association (GNMA). MBSs received in exchange for mortgages and those issued by the Corporation under its MBS program are carried at the unpaid principal balance of the underlying mortgage loans, net of related allowances.

NOTES TO FINANCIAL STATEMENTS
Unaudited

Allowances for Estimated Loan Losses

The Corporation provides for possible losses on loans anticipated to be foreclosed upon. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

Real Estate and Mobile Homes Owned

Real estate and mobile homes owned consist principally of properties acquired through foreclosure or repossession and are carried at the lower of cost or estimated net realizable value. These amounts are included in other assets.

Depreciation

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

Bonds and Notes

The Corporation issues bonds and notes to provide capital for its mortgage programs, and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums are amortized using the effective interest method. Deferred debt refunding expenses are amortized over the shorter of the remaining life of the old debt, or the remaining life of the new debt.

Interest Rate Swap

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

Operating Revenues and Expenses

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

Income Taxes

The Corporation is exempt from federal and state income taxes.

3 CASH AND INVESTMENTS

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

	September 30, 2005	June 30, 2005
Restricted cash	$ 6,195	$ 7,567
Unrestricted	1,457	2,202
Carrying amount	$ 7,652	$ 9,769
Bank balance	$ 8,195	$ 11,570

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Investment Maturities (in Years)					
	Less Than 1	1-5	6-10	More Than 10	September 30, 2005	June 30, 2005
Bank investment contracts	$ 213,150	$ -	$ -	$ -	$ 213,150	$ 198,848
U.S. Treasury securities	16,094	49,376	-	-	65,470	73,603
Securities of U.S. Government agencies and corporations	233,752	52,706	773	-	287,231	256,002
Asset-backed securities	962	14,831	1,998	-	17,791	24,067
Certificates of deposit	15,000	-	-	-	15,000	15,000
Commercial paper & medium term notes	418,523	38,991	1,341	-	458,855	489,860
Guaranteed investment contracts	129,821	-	-	-	129,821	128,907
Money market funds	47,026	-	-	-	47,026	33,128
Total investments	$1,074,328	$ 155,904	$ 4,112	$ -	$1,234,344	$1,219,415

Restricted Investments

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

	September 30, 2005	June 30, 2005
Restricted investments	$ 1,030,257	$ 857,599
Unrestricted	204,087	361,816
Carrying amount	$ 1,234,344	$ 1,219,415

NOTES TO FINANCIAL STATEMENTS
Unaudited

Realized Gains and Losses
The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses is shown below (in thousands):

	September 30, 2005	June 30, 2005
Ending unrealized holding gain (loss)	$ (452)	$ 423
Beginning unrealized holding gain (loss)	423	(745)
Net change in unrealized holding gain (loss)	(873)	1,168
Net realized loss	(388)	(2,821)
Net decrease in Fair Value	$ (1,263)	$ (1,653)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
Unaudited

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

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

Credit Risk

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

The credit quality ratings of the Corporation's investments as of September 30, 2005, as described by nationally recognized statistical rating organizations, are shown below (in thousands). $65,470,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, are not included in the summary.

	Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and corporations:			
	Aaa	AAA	$ 287,231
Asset-backed securities:			
	Aaa	AAA	16,829
Commercial paper & medium-term notes:			
	Aaa	AAA	14,231
	Aa1	AA+	1,959
	Aa1	AA-	2,098
	Aa2	AA	2,128
	Aa2	AA-	6,859
	Aa2	A+	2,076
	Aa3	AA	10,654
	Aa3	AA-	6,651
	Aa3	A+	5,027
	Aa3	A	1,008
	A1	AA-	1,017
	P-1	A-1+	335,457
	P-1	A-1	50,901
	–	A-1	17,448
	Baa3	BBB	1,341
			458,855
Money market funds			
	–	AAAm	43,400
Unrated investments:			
Bank investment contracts			213,150
Asset-backed securities			962
Certificates of deposit			15,000
Guaranteed investment contracts			129,821
Money market funds			3,626
			362,559
			$ 1,168,874

NOTES TO FINANCIAL STATEMENTS
Unaudited

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

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

Investment Holdings Greater than Five Percent of Total Portfolio
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's fiscal policy and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of September 30, 2005, the Corporation had investment balances, greater than 5 percent of the Corporations total investments, with the following issuers (in thousands).

Issuer	Investment Fair Value	Percentage of Total Portfolio
GE Capital Cporporation CP	$ 150,257	12.2%
Bayerische Landesbank	147,914	12.0%
FSA Capital Management Services	105,000	8.5
Federal Home Loan Bank	76,686	6.2
Federal Home Mortgage Association	76,153	6.2
Fannie Mae Discount Notes	75,150	6.1
UBS Finance	69,878	5.7
Westdeutsche Landesbank	65,237	5.3

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 $8,195,000 bank balance at September 30, 2005, cash deposits in the amount of $5,023,000 were uninsured and uncollateralized.

Of the Corporation's $1,234,344,000 total investments at September 30, 2005, bank investment contracts in the amount of $147,914,000 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

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

Modified Duration
Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of September 30, 2005:

	Investment Fair Value	Modified Duration
Bank investment contracts	$ 213,150	0.000
U.S. Treasury securities:		
Treasury coupon securities	65,470	1.685
Securities of U.S. Government agencies and corporations:		
Federal agency discounts	210,941	0.113
Federal agency coupon securities	60,429	1.696
Federal agency pass through securities	15,861	0.821
Asset-backed securities	17,791	2.945
Certificates of deposit	15,000	0.132
Commercial paper & medium term notes:		
Commercial paper discounts	403,806	0.129
Corporate bonds	5,056	2.404
Medium term notes	43,658	1.751
Municipal bonds	1,341	7.581
Floating rate notes	3,794	1.912
Floating rate notes – Federal Agency	1,200	3.359
Guaranteed investment contracts	129,821	0.000
Money market funds	47,026	0.000
	$ 1,234,344	
Portfolio modified duration		0.391

A minimal percentage of the Corporation's total investment portfolio is municipal bonds, which are relatively more sensitive to changing interest rates than the rest of the Corporation's investment portfolio. Municipal bonds held as of September 30, 2005, are as follows:

	Rate	Maturity
Northern Tobacco Securitization Corporation	4.75%	June 1, 2015

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4 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	September 30, 2005	June 30, 2005
Mortgage loans	$ 3,097,036	$ 3,107,178
Mortgage-backed securities issued by the Corporation	10,678	15,387
Multi-family loans	268,422	262,066
Other notes receivable	26,272	29,142
	3,402,408	3,413,773
Less:		
Allowance for losses	(92,214)	(88,591)
Net Mortgage loans, notes and other loans	$ 3,310,194	$ 3,325,182

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

	September 30, 2005	June 30, 2005
Delinquencies and foreclosures:		
Loans delinquent 30 days or more	$ 91,933	$ 100,797
Foreclosures during period	86	2,347
Loans in foreclosure process	10,238	9,629
Mortgage-related commitments:		
To purchase mortgage loans	119,306	109,845
To repurchase loans upon foreclosure	9,360	13,694

5 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.

6 LOAN SELF INSURANCE PROGRAM

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

7 DIRECT FINANCING LEASE

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building Program (the "Program") and has been leased to the State of Alaska for occupancy by its departments and agencies located in Anchorage. The State has the option to purchase the building at the end of the lease for $1. In December 1999 the Corporation issued the State Building Lease Bonds, 1999 Series in the amount of $40,000,000 to finance the purchase. The lease of the building to the State has been recorded as a direct financing lease.

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

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

12 Months Ending September 30	Future Minimum Payments Due
2006	$ 3,467
2007	3,467
2008	3,467
2009	3,467
2010	3,467
Thereafter	22,536
Gross payments due	39,871
Less: Unearned revenue	(9,781)
Net investment in direct financing lease	$ 30,090

8 CAPITAL ASSETS

Capital assets activity for the three month ended September 30, 2005 and a summary of balances are shown below (in thousands):

	July 1, 2005	Additions	Reductions	September 30, 2005
NON-DEPRECIABLE CAPITAL ASSETS:				
Land	$ 13,762	$ -	$ -	$ 13,762
Construction in progress	26,929	2,235	(2,401)	26,763
TOTAL NON-DEPRECIABLE	40,691	2,235	(2,401)	40,525
DEPRECIABLE CAPITAL ASSETS:				
Buildings	160,475	2,401	(3,153)	159,723
Computers & Equipment	3,247	-	-	3,247
Leasehold Improvements	88	-	-	88
Vehicles	1,955	-	(7)	1,948
	165,765	2,401	(3,160)	165,006
Less: Accumulated depreciation				
Buildings	(85,836)	(1,079)	3,153	(83,762)
Computers & Equipment	(2,927)	(36)	-	(2,963)
Leasehold Improvements	(5)	(6)	-	(11)
Vehicles	(1,615)	(39)	7	(1,647)
	(90,383)	(1,160)	3,160	(88,383)
TOTAL DEPRECIABLE, NET	75,382	1,241	-	76,623
TOTAL CAPITAL ASSETS, NET	$ 116,073	$ 3,476	$ (2,401)	$ 117,148

The depreciation expense charged by the Corporation was $1,160,000 for the three month ended September 30, 2005. 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 $6,933,000 at September 30, 2005.

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9 BONDS AND NOTES PAYABLE

With the exception of the Veterans Mortgage Program Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. All of the bonds and notes are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation is pledged to the outstanding obligations of the Corporation.

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

	Original Amount	September 30, 2005	June 30, 2005
FIRST-TIME HOME BUYER BONDS:			
Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A,			
4.15% to 6.0%, due 2005-2037	$ 160,000	$ 59,500	$ 59,500
Accreted interest		6,765	6,497
Unamortized discount		(382)	(386)
• 1998 Series A,			
3.95% to 5.4%, due 2005-2035	70,000	36,765	36,765
• 1999 Series A1 & A2			
4.5% to 6.25%, due 2005-2031	200,000	133,070	133,070
Unamortized discount		(115)	(115)
• 2000 Series A,			
5.9% to 6.0%, due 2036-2040	58,315	28,920	28,920
• 2000 Series B,			
5.45%, due 2015	3,795	3,795	3,795
• 2000 Series C,			
4.7% to 6.0% due 2010-2032	68,785	40,340	40,340
Unamortized discount		(205)	(211)
• 2001 Series A,			
2.5% to 5.3%, due 2005-2031	32,740	26,165	26,165
• 2001 Series B,			
4.15% to 5.45%, due 2007-2041	104,450	75,325	75,325
Unamortized premium		68	69
• 2002 Series A, Floating Rate*,			
2.84% at September 30, 2005, due 2032, 2036	170,000	170,000	170,000
Taxable:			
• 2000 Series D,			
7.0% to 7.32%, due 2005-2020	25,740	8,140	8,140
• 2002 Series B, Floating Rate*			
3.86% at September 30, 2005, due 2036	30,000	24,255	24,255
TOTAL FIRST-TIME HOMEBUYER BONDS	923,825	612,406	612,129

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	Original Amount	September 30, 2005	June 30, 2005
VETERANS MORTGAGE PROGRAM BONDS:			
Collateralized State Guaranteed Bonds:			
Tax-Exempt:			
• Collateralized Bonds 1997 First Series, 5.5%, due 2039	100,000	17,235	20,120
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2005-2040	60,000	27,310	27,310
Unamortized discount		(181)	(183)
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2005-2039	110,000	59,110	59,110
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2005-2039	70,000	33,145	33,145
• Collateralized Bonds 2002 First Series, 2.65% to 5.65%, due 2005-2034	50,000	32,970	32,970
TOTAL VETERANS MORTGAGE PROGRAM BONDS	390,000	169,589	172,472
OTHER HOUSING BONDS:			
Housing Development Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.15% to 5.7%, due 2005-2029	6,510	360	360
• 1997 Series B, 4.25% to 5.8%, due 2005-2029	17,000	930	930
• 1999 Series A, 4.1% to 6.3%, due 2005-2029	1,675	1,545	1,545
• 1999 Series B, 4.2% to 6.37%, due 2005-2029	5,080	4,710	4,710
Unamortized discount		(2)	(2)
• 1999 Series C, 4.1% to 6.2%, due 2005-2029	50,000	46,235	46,235
Unamortized discount		(17)	(17)
• 2000 Series B, Floating Rate*, monthly payments, 2.75% at September 30, 2005, due 2030	41,705	41,705	41,705
• 2002 Series A, 1.8% to 5.3%, due 2005-2033	8,440	3,420	3,420
• 2002 Series B, 1.6% to 5.15%, due 2005-2022	8,690	7,930	7,930

NOTES TO FINANCIAL STATEMENTS
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	Original Amount	September 30, 2005	June 30, 2005
• 2002 Series C, 1.6% to 5.25%, due 2005-2032	70,000	67,010	67,010
• 2002 Series D, Floating Rate*, monthly payments, 2.75% at September 30, 2005, due 2037	37,870	36,380	36,380
• 2004 Series A, 1.3% to 4.85%, due 2005-2030	33,060	32,405	32,405
• 2004 Series B, 1.2% to 4.75%, due 2005-2032	52,025	51,070	51,070
Taxable:			
• 1997 Series C, 6.8% to 7.55%, due 2007-2029	23,895	1,065	1,065
• 2004 Series C, Floating Rate Auction Bonds** Payments every five weeks, 3.78% at September 30, 2005 due 2005-2035	42,125	23,275	23,275
• 2004 Series D, 3.65% to 5.6%, due 2005-2043	105,000	105,000	105,000
SUB-TOTAL HOUSING DEVELOPMENT BONDS	503,075	423,021	423,021
General Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.15% to 6.1%, due 2005-2037	434,911	270,576	270,576
Accreted interest		6,915	6,656
• 1999 Series A, 4.25% to 6.05%, due 2005-2049	302,700	249,760	249,760
Unamortized deferred debt refunding expense		(1,685)	(1,706)
Unamortized discount		(1,651)	(1,677)
• 2002 Series A, 3.45% to 5.0%, due 2010-2040	150,000	150,000	150,000
Unamortized deferred debt refunding expense		(1,271)	(1,282)
Unamortized premium		588	593
Government Purpose Bonds:			
Tax-Exempt:			
• 1997 Series A, Floating Rate* monthly payments, 2.82% at September 30, 2005, due 2027	33,000	26,700	26,700
• 2001 Series A, Floating Rate*, 2.79% at September 30, 2005, due 2030	76,580	70,830	70,830
• 2001 Series B, Floating Rate*, 2.75% at September 30, 2005, due 2030	93,590	86,555	86,555

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	Original Amount	September 30, 2005	June 30, 2005
Taxable:			
• 2001 Series C, Floating Rate*, monthly payments, 3.80% at September 30, 2005, due 2032	100,000	96,580	96,580
• 2001 Series D, Floating Rate*, monthly payments, 3.86% at September 30, 2005, due 2032	100,000	62,070	62,070
TOTAL OTHER HOUSING BONDS	1,793,856	1,438,988	1,438,676
NON-HOUSING BONDS:			
State Capital Project Bonds:			
Tax-Exempt:			
• 1999 Series A, 3.4% to 5.0%, due 2005-2005	92,365	7,665	7,665
Unamortized premium		762	859
• 1999 Series B, 4.0% to 5.5%, due 2005-2005	103,980	13,185	13,185
Unamortized premium		738	805
• 2001 Series A, 3.2% to 5.25%, due 2005-2007	74,535	46,190	46,190
Unamortized premium		1,253	1,302
• 2002 Series A, 3% to 4%, due 2005-2011	32,905	23,320	26,655
Unamortized premium		1,101	1,161
• 2002 Series B, Floating Rate Auction Bonds** Payments every four weeks, 2.40% at September 30, 2005, due 2024	14,555	14,555	14,555
• 2002 Series C, Floating Rate* 2.75% at September 30, 2005, due 2022	60,250	60,250	60,250
State Building Lease Bonds:			
Tax-Exempt:			
• 1999 Series, 4.25% to 5.8%, due 2005-2017	40,000	14,165	14,165
Unamortized discount		(74)	(74)
General Housing Purpose Bonds:			
Tax-Exempt:			
• 1992 Series A, 5.3% to 6.6%, due 2005-2023	200,000	23,340	23,340
• 2003 Series A, Floating Rate*, monthly payments, 2.79% at September 30, 2005, due 2023	143,995	136,790	136,790
• 2003 Series B, Floating Rate*, monthly payments, 2.79% at September 30, 2005, due 2023	16,095	16,095	16,095
• 2005 Series A, 2.2% to 5.25%, due 2006-2041	143,235	143,235	143,235
Unamortized premium		5,830	6,114

NOTES TO FINANCIAL STATEMENTS
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	Original Amount	September 30, 2005	June 30, 2005
• 2005 Series B,			
2.6% to 5.25%, due 2005-2030	147,610	147,610	147,610
Unamortized deferred debt refunding expense		(13,267)	(11,646)
Unamortized premium		9,117	9,758
• 2005 Series C,			
2.6% to 5%, due 2005-2017	16,885	16,885	16,885
TOTAL NON-HOUSING BONDS	1,086,410	668,745	674,899
OTHER PROGRAM FUNDS:			
Home Ownership Notes:			
Tax-Exempt:			
• Wrangell Project HUD Note, monthly payments,			
1.0%-3.0%, due 2005-2007	1,161	548	554
TOTAL OTHER PROGRAMS	1,161	548	554
TOTAL BONDS PAYABLE	$ 4,195,252	$ 2,890,276	$ 2,898,730

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

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

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

Redemption Provisions

The bonds and notes are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The accelerated amortization of related discounts and costs of issuance resulting from these early redemptions is included in interest expense and financing costs. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once they reach 15% of issuance.

During the three month ended September 30, 2005, the Corporation made special revenue redemptions of $2,885,000 and no current refundings. The Corporation made special revenue redemptions of $150,596,000 and no current refundings during fiscal year 2005.

Advance Refundings

From time to time, the Corporation effects an advanced refunding where the proceeds of issued bonds are used to defease outstanding debt of the Corporation. The result is an in-substance defeasance whereby the Corporation purchases securities which are deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. A summary of the defeased debt follows (in thousands):

	September 30, 2005	June 30, 2005
Governmental Purpose Bonds, 1995 Series A	$ 150,995	$ 150,995
State Building Lease Bonds, 1999 Series	16,485	16,485
	$ 167,480	$ 167,480

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Debt Service Requirements

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2010 and in five year increments thereafter to maturity, categorized by each Major Fund and other Non-Major Funds in the aggregate, are shown below and continued on the following page (in thousands):

12 Months Ending September 30	Housing Development Bonds (Various Issues)		Governmental Purpose Bonds Series 2001 A-D	
	Principal	Interest*	Principal	Interest*
2006	$ 6,095	$ 18,932	$ 5,755	$ 12,068
2007	6,310	18,823	6,065	11,838
2008	6,780	18,532	6,370	11,602
2009	6,770	18,379	6,715	11,335
2010	7,060	18,060	7,040	11,074
Total Five Years 2006-2010	33,015	92,726	31,945	57,917
Five Years Ending September 30				
2011-2015	40,590	85,815	41,360	50,852
2016-2020	52,030	75,215	53,145	41,777
2021-2025	63,300	60,999	69,230	30,104
2026-2030	73,805	43,686	91,070	14,892
2031-2035	87,445	22,643	29,285	1,090
2036-2040	53,880	9,930	-	-
2041-2045	18,975	1,782	-	-
2046-2049	-	-	-	-
	$ 423,040	$ 392,796	$ 316,035	$ 196,632

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at September 30, 2005.

** Also see Note 10 – Derivatives.

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Other Non-Major Bonds		Total Debt Service		
Principal	Interest*	Principal	Interest*	Total
$ 79,217	$ 105,700	$ 91,067	$ 136,700	$ 227,767
54,111	102,241	66,486	132,902	199,388
36,910	99,954	50,060	130,088	180,148
36,045	98,315	49,530	128,029	177,559
32,605	96,821	46,705	125,955	172,660
238,888	503,031	303,848	653,674	957,522
232,280	454,852	314,230	591,519	905,749
281,926	422,921	387,101	539,913	927,014
320,296	325,439	452,826	416,542	869,368
351,776	263,828	516,651	322,406	839,057
285,600	176,462	402,330	200,195	602,525
323,888	75,396	377,768	85,326	463,094
55,095	23,012	74,070	24,794	98,864
47,165	6,478	47,165	6,478	53,643
$2,136,914	$2,251,419	$2,875,989	$2,840,847	$5,716,836

10 DERIVATIVES

Swap Objectives

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

Swap Payments and Associated Debt

As of September 30, 2005, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2006	$ 3,640	$ 10,236	$ 5,791	$ 19,667
2007	3,795	11,063	6,245	21,103
2008	4,640	10,965	6,183	21,788
2009	5,135	10,808	6,109	22,052
2010	5,465	10,674	6,028	22,167
2011-2015	52,775	50,143	28,338	131,256
2016-2020	79,320	40,720	23,093	143,133
2021-2025	96,950	28,333	16,354	141,637
2026-2030	81,955	16,222	9,534	107,711
2031-2035	52,240	6,196	3,754	62,190
2036-2037	16,275	466	284	17,025
	$ 402,190	$ 195,826	$ 111,713	$ 709,729

Significant Terms

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of September 30, 2005, are included in the following schedule. The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating[6]
GP01A[1]	$ 70,830	$ 77,291	$ (6,461)	08/02/01	4.1427%	67% of LIBOR[4]	12/01/30	A/A2
GP01B	86,555	94,774	(8,219)	08/02/01	4.1427%	67% of LIBOR	12/01/30	A+/Aa3
E021A1[2]	50,000	54,504	(4,504)	05/16/02	4.1030%	68% of LIBOR	06/01/32	AAA/Aaa
E021A2	120,000	129,174	(9,174)	05/16/02	4.3430%	68% of LIBOR	12/01/36	AAA/Aaa
SC02B[3]	14,555	15,070	(515)	12/05/02	3.7700%	70% of LIBOR	07/01/24	AAA/Aaa
SC02C	60,250	62,342	(2,092)	12/05/02	4.3030%	BMA[5] + 0.115%	07/01/22	AAA/Aaa
	$ 402,190	$ 433,155	$ (30,965)					

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate
5. The Bond Market Association Municipal Swap Index
6. Standard & Poor's/Moody's

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Fair Value

Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of the Corporation's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of September 30, 2005. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

Risks

a. **Credit Risk**

As of September 30, 2005, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 61% of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21% and 18%, respectively, of the total outstanding notional swap value.

b. **Basis Risk**

A majority of the Corporation's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of September 30, 2005, the BMA rate was 2.75%, whereas LIBOR was 3.84%. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

c. **Rollover Risk**

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

d. **Termination Risk**

If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of September 30, 2005, the Corporation is not exposed to any additional termination risk on its interest rate swaps.

11 LONG TERM LIABILITIES

The activity for other liabilities for the three month ended September 30, 2005 is summarized in the following schedule (in thousands):

	July 1, 2005	Additions	Reductions	September 30, 2005	Due Within One Year
Bonds and notes payable	$ 2,898,730	$ 730	$ (9,184)	$ 2,890,276	$ 92,567
Compensated absences	3,007	850	(555)	3,302	2,069
Other liabilities	5,398	112	(344)	5,166	-
Total other long-term liabilities	8,405	962	(899)	8,468	2,069
	$ 2,907,135	$ 1,692	$ (10,083)	$ 2,898,744	$ 94,636

12 SHORT TERM DEBT

The Corporation has a commercial paper program. Commercial paper is issued and redeemed to meet the cash flow requirements of the Corporation's activities. Individual maturities may range from 2 to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000. A summary of commercial paper, which represents an unsecured general obligation of the Corporation, is shown below (in thousands):

	September 30, 2005	June 30, 2005
Maturity amount	$ 124,200	$ 138,510
Less: Discounts	(187)	(135)
Balance outstanding	$ 124,013	$ 138,375
Yields issued during period:		
Lowest	3.2200%	1.1600%
Highest	3.7500%	3.2200%

Short Term Debt Activity

Short term debt activity for the three month ended September 30, 2005 is summarized in the following schedule (in thousands):

	July 1, 2005	Additions	Reductions	September 30, 2005
Commercial paper	$ 138,510	$ 201,220	$ (215,530)	$ 124,200
Unamortized discount	(135)	(1,164)	1,112	(187)
	$ 138,375	$ 200,056	$ (214,418)	$ 124,013

NOTES TO FINANCIAL STATEMENTS
Unaudited

13 TRANSFERS

Transfers for the three month ended September 30, 2005 are summarized in the following schedule (in thousands):

		Transfer From			
		Administrative Fund	Housing Development	Other Non-Major Funds	Total
Transfer To	Administrative Fund	$ -	$ 2,548	$ 17,505	$ 20,053
	Housing Development	408	-	-	408
	Government Purpose Bonds 2001 A-D	424	-	-	424
	Other Non-Major Funds	22,320	-	437	22,757
	Total	$ 23,152	$ 2,548	$ 17,942	$ 43,642

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

14 OTHER CREDIT ARRANGEMENTS

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary to satisfy debt service or unpaid bond principal obligations. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount. The Corporation had unused liquidity facilities or similar credit enhancement agreements in connection with amounts required for debt service or unpaid bond principal for certain bond issues as shown below (in thousands):

	September 30, 2005	June 30, 2005
Liquidity facility	$ 863,175	$ 863,175
Bond insurance	2,226,491	2,229,826
	$ 3,089,666	$ 3,093,001

On July 26, 2001, the Corporation entered a liquidity facility swap agreement with a counter-party for up to $370,000,000 relating to the Government Purpose Bonds 2001 Series A-D. The Corporation has an option to renew the agreement annually. The amount is reflected in the table above.

In October 2002, the Corporation also reestablished a $200,000,000 revolving credit facility that is not related to a specific bond issue. At September 30, 2005, no draw downs had been made on the revolving credit facility.

Certain letter-of-credit agreements contain covenants restricting the amendment of terms and redemption of bonds or notes, and setting the minimum combined fund equity of the Corporation and minimum debt service reserve fund balances.

15 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt bond programs are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed to the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	September 30, 2005	June 30, 2005
Arbitrage expense	$ 112	$ 4,181
Arbitrage paid	337	3,841

16 STATE AUTHORIZATIONS AND COMMITMENTS

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995:

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income".

A summary of State Authorizations is shown below (in thousands):

	Total State Authorizations	Payments To-Date	Total Remaining Commitments
FY 1995*	$ 22,500	$ 22,493	$ 7
FY 1996*	128,033	127,846	187
FY 1997	100,448	100,193	255
FY 1998*	131,515	130,837	678
FY 1999*	102,994	101,056	1,938
FY 2000*	105,138	98,672	6,466
FY 2001*	103,107	93,562	9,545
FY 2002	103,000	93,293	9,707
FY 2003*	103,499	89,858	13,641
FY 2004*	103,036	81,400	21,636
FY 2005	103,000	87,146	15,854
FY 2006	103,000	11,975	91,025
Total	$ 1,209,270	$ 1,038,331	$ 170,939

* With re-appropriations

NOTES TO FINANCIAL STATEMENTS
Unaudited

State Capital Projects Bonding

The 1998 Legislature adopted legislation authorizing approximately $224 million in capital project bonds of the Corporation to finance projects of the State and municipalities. The legislation states the intention that the sum of withdrawals for repayment of bonds, for transfer to the State's general fund, and for corporate funded capital projects should not exceed the Corporation's net income for the preceding 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 to 2008. The Corporation views passage of the 1998 and 2000 legislation as a continuation of the plan of the legislature, stated in its legislative intent in 1995, to authorize the lesser of $103 million or the Corporation's net income annually to the year 2008.

The 2002 and 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.

As of September 30, 2005, the Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $107,710,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation.

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

Fiscal Year	Transfer Plan Amount
2006	103,000
2007	Lesser of 95% Net Income or 103,000
2008	Lesser of 85% Net Income or 103,000
2009 & Thereafter	Lesser of 75% Net Income or 103,000

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

Transfers to the State of Alaska

Since the inception of the Corporation, the State has contributed a total of $1,069,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	September 30, 2005	June 30, 2005	Cumulative Prior Fiscal Years	Total Payments To State
State debt repayment	$ -	$ -	$ 29,800	$ 29,800
Asset purchases	-	-	252,300	252,300
Dividends	-	-	114,300	114,300
Direct cash transfers	9,427	29,618	501,588	540,633
Other State appropriations	-	2,078	-	2,078
Non-Housing capital projects	2,164	22,372	234,425	258,961
Various bond's proceeds disbursed	1,158	13,220	243,277	257,655
Total	$ 12,749	$ 67,288	$ 1,375,690	$ 1,455,727

NOTES TO FINANCIAL STATEMENTS
Unaudited

17 GRANTS

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

Program	September 30, 2005	June 30, 2005
Energy Programs:		
• Enhanced Weatherization	$ 445	$ 957
• Low-Income Weatherization Assistance	1,136	4,090
State Energy Program	179	303
• Others	50	627
	1,810	5,977
Section 8 Vouchers and Contract Administration	5,999	26,156
Other Housing Assistance Programs:		
• Beneficiary and Special Needs Housing	7	1,844
• Drug Elimination Program	57	225
• Denali Teacher Housing	1,811	1,159
• Healthy Homes	-	284
• HOME Program	1,245	3,758
• Homeless Assistance Program	132	809
• Housing Loan Program	1,461	1,914
• Housing Opportunities for Persons with AIDS	132	600
• Section 8 Contract Administration	1,608	6,555
• Senior Citizens Housing	768	2,034
• Supplemental Housing	1,721	3,101
• Supportive Housing Grant Match	220	845
• Others	225	817
	9,387	23,945
Other Programs	128	428
Total Housing Grant Expenses	17,324	56,506
Other Program Funds:		
• State Match Federal Aid Airports Proj. – FY 98 Appro.	-	70
• Municipal Matching Grants – FY 99 Appro.	346	6,576
• University of Alaska – FY 99 Appro.	-	145
• Village Safe Water Grants Program – FY 99 Appro.	1,212	11,791
• Child Protection Information System – FY 01 Appro.	-	849
• AK Public Safety Info. Network Redesign – FY 02 Appro.	486	816
• Brother Francis Shelter Replacement – FY 03 Appro.	-	450
• Law Enforcement Equipment Replacement – FY 05 Appro.	63	340
• FY 98 Legislative Appropriations – Others	-	151
• FY 99 Legislative Appropriations – Others	-	11
• FY 01 Legislative Appropriations	-	544
• FY 02 Legislative Appropriations	-	28
• FY 04 Legislative Appropriations	-	194
• FY 05 Legislative Appropriations	57	407
Total Non-Housing Capital Project Grants	2,164	22,372
Total Grants	$ 19,488	$ 78,878

In addition to grant payments made, the Corporation has advanced grant funds of $3,923,000 and committed to third parties a sum of $22,622,000 in grant awards at September 30, 2005.

NOTES TO FINANCIAL STATEMENTS
Unaudited

18 OTHER PROGRAMS

Other programs include public-housing activities and energy conservation funded from a combination of corporate receipts and external sources.

Housing Assistance Programs

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

- Low Rent Management
- Modernization/Capital Fund Programs

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

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

Section 8 Program consists of Corporate owned low-income housing facilities at various locations and the Wrangell 221(d)(3) housing facility, for which the Corporation receives tenant-based rental assistance under contract with HUD, and administration of HUD contracts directly with landlords:

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

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

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

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

Energy Conservation Programs

The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska's share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy's oversight.

The weatherization programs include the following programs and are funded by a combination of DOE grants, PVE funds, and corporate funds:

- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)

Other energy programs include the following programs and are funded by a combination of DOE grants, PVE funds, HHS grants, and corporate funds:

- Adult Education
- Alaska Native Health Board Grant / Alaska Native Health Tribal Consortium
- Association of Alaska Housing Authorities Grant
- Low-Income Home Energy Assistance Program (LIHEAP)
- State Energy Conservation Program and Special Projects
- Weatherization Assistance for Low-Income Persons (AKWarm Enhancement)

The following projects are or have been funded within the Petroleum Violation Escrow Program:

- Alaska Craftsman Home Program
- Business Energy Assistance
- Energy Rated Homes of Alaska
- Home Energy Loan Program
- Home Energy Rebates
- Low-Income Weatherization Enhancement
- Warm Homes for Alaskans

Housing Units Owned, Managed or Administered

The Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	997
Low Rent Conventional Housing – Senior Units	343
Section 8 New Construction Housing	59
Section 8 New Construction Housing – Senior Units	268
Other Housing Units	32
Section 8 Existing – Housing Assistance:	
Housing Choice Vouchers	4,115
Single Room Occupancy	70
	5,884

19 PENSION PLAN

As of September 30, 2005, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS is an agent multiple-employer, statewide defined benefit plan, administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

Plan Description

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. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. All service earned prior to July 1, 1986 will be calculated using the 2% multiplier. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The system also provides death and disability benefits and major medical benefits.

Funding Policy

Under State law, covered employees are required to contribute 6¾% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the current rate is 16.14% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and postretirement health cost shown in the following table was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 2004. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.25% per year compounded annually and (b) projected salary increases of 5.5% a year for the ten years of employment, with distinction made between amounts for inflation (3.5%), merit (1.5%), and productivity (0.5%). The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five year period. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The excess of assets over the actuarial accrued liability is amortized over a rolling 25 years which is an open amortization period. The percentage of pay method is used for amortization purposes.

Three-Year Trend Information for PERS (in thousands):

Year Ended	Annual Pension and Postretirement Health Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	$ 1,780	100.00%	$ -
June 30, 2004	980	100.00%	-
June 30, 2003	1,027	100.00%	-

20 OTHER COMMITMENTS AND CONTINGENCIES

Medical Self Insurance

During the fiscal year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to $50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of $970,000 and $1,077,000 as of September 30, 2005 and June 30, 2005, respectively.

Litigation

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

Contingent Liabilities

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

NOTES TO FINANCIAL STATEMENTS
Unaudited

21 SPECIAL ITEM

On December 1, 2004, the Corporation sold its Aurora Military Loan, with a principal balance of $47,468,000, for $51,403,000 and paid $90,000 in subsequent expenses related to the sale, resulting in a special item gain of $3,845,000.

22 SUMMARIZED BALANCE SHEET

Entity-wide balance sheet information in an unclassified format is presented below for informational purposes (in thousands):

	September 30, 2005	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
ASSETS					
Cash	$ 7,652	$ 9,769	$ 7,939	$ 21,215	$ 9,508
Investments	1,234,344	1,219,415	1,143,547	1,518,997	1,587,877
Accrued interest receivable	23,234	20,762	19,897	22,349	25,015
Mortgage loans, notes and other loans	3,310,194	3,325,182	3,355,300	3,312,511	3,373,640
Net investment in direct financing lease	30,090	32,843	34,547	36,165	37,697
Unamortized bond issuance costs	24,887	25,135	26,404	29,024	28,105
Capital assets, net	117,148	116,073	110,813	105,065	99,040
Other assets	11,904	13,754	10,033	10,185	21,272
Total Assets	$ 4,759,453	$ 4,762,933	$ 4,708,480	$ 5,055,511	$ 5,182,154
LIABILITIES AND FUND EQUITY					
Liabilities:					
Bonds and notes payable	$ 2,890,276	$ 2,898,730	$ 2,890,879	$ 3,110,941	$ 3,267,553
Short term debt	124,013	138,375	70,145	149,995	108,541
Accrued interest payable	43,667	14,147	14,562	15,627	14,253
Other liabilities	26,773	28,608	26,435	41,382	25,997
Total Liabilities	3,084,729	3,079,860	3,002,021	3,317,945	3,416,344
Total Fund Equity	1,674,724	1,683,073	1,706,459	1,737,566	1,765,810
Total Liabilities and Fund Equity	$ 4,759,453	$ 4,762,933	$ 4,708,480	$ 5,055,511	$ 5,182,154

NOTES TO FINANCIAL STATEMENTS
Unaudited

23 STATEMENT OF ACTIVITY

Entity-wide revenues, expenses, and changes in net assets are presented below for informational purposes (in thousands):

	Three Months Ended September 30, 2005	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2003	Year Ended June 30, 2002
OPERATING REVENUES					
Mortgage and loans revenue	$ 48,492	$ 201,386	$ 206,300	$ 220,393	$ 222,446
Investment interest	12,707	43,162	46,358	57,013	71,115
Net change in the fair value of investments	(1,263)	(1,653)	(9,554)	9,877	111
Total Investment Revenue	11,444	41,509	36,804	66,890	71,226
Externally funded programs	16,045	57,877	56,084	53,702	46,283
Rental	1,590	6,183	6,109	6,812	7,034
Other	134	2,252	743	644	2,241
Total Operating Revenues	77,705	309,207	306,040	348,441	349,230
OPERATING EXPENSES					
Interest	35,460	141,161	151,165	172,939	174,582
Mortgage and loan costs	3,372	13,130	13,059	12,894	12,933
Operations and administration	9,361	35,530	36,240	35,339	32,393
Financing expenses	1,667	11,941	6,168	10,496	2,197
Provision for loan loss	3,617	(103)	(1,861)	(12,232)	2,690
Housing grants and subsidies	17,324	56,506	48,640	52,023	39,520
Rental housing operating expenses	2,504	10,985	10,149	9,905	9,255
Total Operating Expenses	73,305	269,150	263,560	281,364	273,570
Operating Income	4,400	40,057	42,480	67,077	75,660
NONOPERATING EXPENSES AND SPECIAL ITEM					
Contributions to the State of Alaska or other State agencies	(12,749)	(67,288)	(66,136)	(95,321)	(85,562)
Special Item	-	3,845	(7,451)	-	2,035
Change In Net Assets	$ (8,349)	$ (23,386)	$ (31,107)	$ (28,244)	$ (7,867)

24 QUARTERLY COMPARISON

Comparison of the entity-wide revenues, expenses, and changes in net assets for the three months ended September 30, 2005 and September 30, 2004 is presented in the following schedule (in thousands):

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2004	Variance
OPERATING REVENUES			
Mortgage and loans revenue	$ 48,492	$ 50,775	$ (2,283)
Investment interest	12,707	10,085	2,622
Net change in the fair value of investments	(1,263)	441	(1,704)
Total Investment Revenue	11,444	10,526	918
Externally funded programs	16,045	14,891	1,154
Rental	1,590	1,486	104
Other	134	213	(79)
Total Operating Revenues	77,705	77,891	(186)
OPERATING EXPENSES			
Interest	35,460	34,268	(1,192)
Mortgage and loan costs	3,372	3,291	(81)
Operations and administration	9,361	8,582	(779)
Financing expenses	1,667	1,539	(128)
Provision for loan loss	3,617	1,563	(2,054)
Housing grants and subsidies	17,324	13,843	(3,481)
Rental housing operating expenses	2,504	1,141	(1,363)
Total Operating Expenses	73,305	64,227	(9,078)
Operating Income	4,400	13,664	(9,264)
NONOPERATING EXPENSES			
Contributions to the State of Alaska or other State agencies	(12,749)	(27,695)	14,946
Change in Net Assets	$ (8,349)	$ (14,031)	$ 5,682

REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

Schedule of Funding Progress for PERS (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	Excess or (Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
Pension:						
June 30, 2003	$ 34,407	$ 43,271	$ (8,864)	80%	$ 14,987	(59%)
June 30, 2002	30,857	40,980	(10,123)	75%	14,119	(72%)
June 30, 2001	35,962	26,272	9,690	137%	13,636	71%
Postretirement Health:						
June 30, 2003	22,997	28,921	(5,924)	80%	14,987	(40%)
June 30, 2002	18,748	24,899	(6,151)	75%	14,119	(44%)
June 30, 2001	15,227	11,124	4,103	137%	13,636	30%

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
COMBINED - ALL FUNDS
As of September 30, 2005
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
Assets					
Current					
Cash	1,723	641	188	1,351	375
Investments	384,634	36,969	12,319	106,869	61,113
Accrued interest receivable	4,282	3,613	1,453	10,692	3,194
Mortgage loans, notes and other loans	33,689	15,329	5,411	33,669	13,644
Net investment in direct financing lease	-	-	-	-	1,980
Other assets	693	202	-	155	50
Intergovernmental receivable	42	-	-	-	-
Total Current	425,063	56,754	19,371	152,736	80,356
Non Current					
Investments	-	46,136	29,429	381,250	141,982
Mortgage loans, notes and other loans, net of allowance	639,885	606,780	217,308	1,227,119	517,360
Net investment in direct financing lease	-	-	-	-	28,110
Unamortized bond issuance costs	-	5,828	2,424	10,631	6,004
Capital assets - non-depreciable	148	-	-	-	-
Capital assets - depreciable, net	275	-	-	-	-
Other assets	1,633	-	-	-	-
Total Non Current	641,941	658,744	249,161	1,619,000	693,456
Total Assets	1,067,004	715,498	268,532	1,771,736	773,812
Liabilities					
Current					
Bonds and notes payable	-	5,900	2,380	16,325	67,935
Short-term debt	124,013	-	-	-	-
Accrued interest payable	673	10,342	3,278	20,950	8,383
Other liabilities	4,946	2,692	802	4,480	1,637
Intergovernmental payable	-	-	-	-	2,799
Total Current	129,632	18,934	6,460	41,755	80,754
Non Current					
Bonds and notes payable	-	606,506	167,209	1,422,663	600,810
Other liabilities	637	-	-	4,423	739
Total Non Current	637	606,506	167,209	1,427,086	601,549
Total Liabilities	130,269	625,440	173,669	1,468,841	682,303
Net Assets					
Invested in capital assets, net of related debt	423	-	-	-	-
Restricted by bond resolutions	-	90,058	94,863	302,511	111,004
Restricted by contractual or statutory agreements	180,904	-	-	20,988	-
Unrestricted net assets, (deficit)	755,408	-	-	(20,604)	(19,495)
Total Net Assets (deficit)	936,735	90,058	94,863	302,895	91,509

Combined Other Programs	Combined Total
3,374	7,652
33,302	635,206
-	23,234
-	101,742
-	1,980
8,643	9,743
444	486
45,763	780,043
341	599,138
-	3,208,452
-	28,110
-	24,887
40,377	40,525
76,348	76,623
42	1,675
117,108	3,979,410
162,871	4,759,453
27	92,567
-	124,013
41	43,667
3,018	17,575
-	2,799
3,086	280,621
521	2,797,709
600	6,399
1,121	2,804,108
4,207	3,084,729
116,178	116,601
-	598,436
42,486	244,378
-	715,309
158,664	1,674,724

ALASKA HOUSING FINANCE CORPORATION **Schedule 2**

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

REVOLVING FUNDS

As of September 30, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Assets			
Current			
Cash	1,457	266	1,723
Investments	375,026	9,608	384,634
Accrued interest receivable	4,280	2	4,282
Mortgage loans, notes and other loans	33,683	6	33,689
Other assets	693	-	693
Intergovernmental receivable	42	-	42
Total Current	415,181	9,882	425,063
Non Current			
Mortgage loans, notes and other loans, net of allowance	639,763	122	639,885
Capital assets - non-depreciable	148	-	148
Capital assets - depreciable, net	275	-	275
Other assets	1,633	-	1,633
Total Non Current	641,819	122	641,941
Total Assets	1,057,000	10,004	1,067,004
Liabilities			
Current			
Short-term debt	124,013	-	124,013
Accrued interest payable	673	-	673
Other liabilities	4,907	39	4,946
Total Current	129,593	39	129,632
Non Current			
Other liabilities	637	-	637
Total Non Current	637	-	637
Total Liabilities	130,230	39	130,269
Net Assets			
Invested in capital assets, net of related debt	423	-	423
Restricted by contractual or statutory agreements	170,939	9,965	180,904
Unrestricted net assets, (deficit)	755,408	-	755,408
Total Net Assets (deficit)	926,770	9,965	936,735

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
FIRST TIME HOMEBUYER BONDS
As of September 30, 2005
(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B
Assets					
Current					
Cash	86	39	135	88	87
Investments	4,343	2,323	10,424	5,333	5,972
Accrued interest receivable	515	240	928	430	487
Mortgage loans, notes and other loans	1,899	963	3,547	3,107	2,096
Other assets	-	-	101	-	-
Total Current	6,843	3,565	15,135	8,958	8,642
Non Current					
Investments	9,369	4,130	10,088	6,078	8,229
Mortgage loans, notes and other loans, net of allowance	72,359	36,535	132,652	71,743	92,454
Unamortized bond issuance costs	929	568	1,272	1,166	990
Total Non Current	82,657	41,233	144,012	78,987	101,673
Total Assets	89,500	44,798	159,147	87,945	110,315
Liabilities					
Current					
Bonds and notes payable	1,735	430	2,535	480	720
Accrued interest payable	869	631	2,630	1,617	1,751
Other liabilities	359	163	576	366	367
Total Current	2,963	1,224	5,741	2,463	2,838
Non Current					
Bonds and notes payable	64,148	36,335	130,420	80,510	100,838
Total Non Current	64,148	36,335	130,420	80,510	100,838
Total Liabilities	67,111	37,559	136,161	82,973	103,676
Net Assets					
Restricted by bond resolutions	22,389	7,239	22,986	4,972	6,639
Total Net Assets (deficit)	22,389	7,239	22,986	4,972	6,639

Home Mortgage Revenue Bonds 2002 A, B	Combined Total
206	641
8,574	36,969
1,013	3,613
3,717	15,329
101	202
13,611	56,754
8,242	46,136
201,037	606,780
903	5,828
210,182	658,744
223,793	715,498
-	5,900
2,844	10,342
861	2,692
3,705	18,934
194,255	606,506
194,255	606,506
197,960	625,440
25,833	90,058
25,833	90,058

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of September 30, 2005

(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Assets				
Current				
Cash	45	45	53	28
Investments	1,223	1,837	4,397	2,556
Accrued interest receivable	263	225	482	297
Mortgage loans, notes and other loans	1,205	807	1,701	1,012
Other assets	-	-	-	-
Total Current	2,736	2,914	6,633	3,893
Non Current				
Investments	4,696	5,180	9,245	5,259
Mortgage loans, notes and other loans, net of allowance	47,599	32,150	65,688	36,925
Unamortized bond issuance costs	536	334	845	472
Total Non Current	52,831	37,664	75,778	42,656
Total Assets	55,567	40,578	82,411	46,549
Liabilities				
Current				
Bonds and notes payable	160	385	830	490
Accrued interest payable	319	484	1,189	689
Other liabilities	191	184	230	121
Total Current	670	1,053	2,249	1,300
Non Current				
Bonds and notes payable	17,075	26,744	58,280	32,655
Total Non Current	17,075	26,744	58,280	32,655
Total Liabilities	17,745	27,797	60,529	33,955
Net Assets				
Restricted by bond resolutions	37,822	12,781	21,882	12,594
Total Net Assets (deficit)	37,822	12,781	21,882	12,594

Collateralized Bonds 2002 First Series	Combined Total
17	188
2,306	12,319
186	1,453
686	5,411
-	-
3,195	19,371
5,049	29,429
34,946	217,308
237	2,424
40,232	249,161
43,427	268,532
515	2,380
597	3,278
76	802
1,188	6,460
32,455	167,209
32,455	167,209
33,643	173,669
9,784	94,863
9,784	94,863

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of September 30, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Assets					
Current					
Cash	-	112	228	613	142
Investments	20,987	25,238	18,190	16,470	7,151
Accrued interest receivable	1	2,440	2,675	1,667	597
Mortgage loans, notes and other loans	-	5,906	5,351	9,574	2,313
Other assets	-	51	16	72	-
Total Current	20,988	33,747	26,460	28,396	10,203
Non Current					
Investments	-	113,186	90,454	32,288	5,995
Mortgage loans, notes and other loans, net of allowance	-	257,796	216,204	326,237	137,768
Unamortized bond issuance costs	-	3,853	2,013	1,761	1,242
Total Non Current	-	374,835	308,671	360,286	145,005
Total Assets	20,988	408,582	335,131	388,682	155,208
Liabilities					
Current					
Bonds and notes payable	-	6,095	2,775	1,700	-
Accrued interest payable	-	5,685	5,138	4,923	2,384
Other liabilities	-	480	955	1,372	588
Total Current	-	12,260	8,868	7,995	2,972
Non Current					
Bonds and notes payable	-	416,926	274,716	244,724	149,317
Other liabilities	-	-	4,423	-	-
Total Non Current	-	416,926	279,139	244,724	149,317
Total Liabilities	-	429,186	288,007	252,719	152,289
Net Assets					
Restricted by bond resolutions	-	-	47,124	135,963	2,919
Restricted by contractual or statutory agreements	20,988	-	-	-	-
Unrestricted net assets, (deficit)	-	(20,604)	-	-	-
Total Net Assets (deficit)	20,988	(20,604)	47,124	135,963	2,919

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
-	256	1,351
678	18,155	106,869
108	3,204	10,692
1,156	9,369	33,669
-	16	155
1,942	31,000	152,736
4,049	135,278	381,250
22,304	266,810	1,227,119
223	1,539	10,631
26,576	403,627	1,619,000
28,518	434,627	1,771,736
-	5,755	16,325
61	2,759	20,950
-	1,085	4,480
61	9,599	41,755
26,700	310,280	1,422,663
-	-	4,423
26,700	310,280	1,427,086
26,761	319,879	1,468,841
1,757	114,748	302,511
-	-	20,988
-	-	(20,604)
1,757	114,748	302,895

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON HOUSING BONDS

As of September 30, 2005

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Projects Bonds 2002 A,B,C	State Building Lease Bonds 1999
Assets					
Current					
Cash	12	6	15	25	-
Investments	2,005	6,006	7,167	7,970	4,103
Accrued interest receivable	73	70	205	512	2
Mortgage loans, notes and other loans	745	211	1,115	800	-
Net investment in direct financing lease	-	-	-	-	1,980
Other assets	-	-	28	-	-
Total Current	2,835	6,293	8,530	9,307	6,085
Non Current					
Investments	-	-	-	39,952	-
Mortgage loans, notes and other loans, net of allowance	10,520	6,915	37,534	33,546	-
Net investment in direct financing lease	-	-	-	-	28,110
Unamortized bond issuance costs	461	518	454	708	183
Total Non Current	10,981	7,433	37,988	74,206	28,293
Total Assets	13,816	13,726	46,518	83,513	34,378
Liabilities					
Current					
Bonds and notes payable	8,427	13,923	26,690	3,465	1,895
Accrued interest payable	128	233	749	1,066	362
Other liabilities	50	26	75	111	-
Intergovernmental payable	-	-	-	-	2,799
Total Current	8,605	14,182	27,514	4,642	5,056
Non Current					
Bonds and notes payable	-	-	20,753	95,761	12,196
Other liabilities	-	-	400	-	339
Total Non Current	-	-	21,153	95,761	12,535
Total Liabilities	8,605	14,182	48,667	100,403	17,591
Net Assets					
Restricted by bond resolutions	5,211	-	-	-	16,787
Unrestricted net assets, (deficit)	-	(456)	(2,149)	(16,890)	-
Total Net Assets (deficit)	5,211	(456)	(2,149)	(16,890)	16,787

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
24	75	102	116	375
6,070	8,985	7,614	11,193	61,113
238	515	951	628	3,194
380	3,568	2,846	3,979	13,644
-	-	-	-	1,980
-	12	-	10	50
6,712	13,155	11,513	15,926	80,356
4,567	21,894	64,316	11,253	141,982
12,737	118,313	141,366	156,429	517,360
-	-	-	-	28,110
426	720	1,198	1,336	6,004
17,730	140,927	206,880	169,018	693,456
24,442	154,082	218,393	184,944	773,812
4,635	5,165	495	3,240	67,935
479	343	2,373	2,650	8,383
96	339	453	487	1,637
-	-	-	-	2,799
5,210	5,847	3,321	6,377	80,754
18,705	147,720	148,570	157,105	600,810
-	-	-	-	739
18,705	147,720	148,570	157,105	601,549
23,915	153,567	151,891	163,482	682,303
527	515	66,502	21,462	111,004
-	-	-	-	(19,495)
527	515	66,502	21,462	91,509

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
OTHER PROGRAM FUNDS
As of September 30, 2005
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Assets				
Current				
Cash	-	685	537	1,951
Investments	1,431	11,637	19,860	-
Accrued interest receivable	-	-	-	-
Other assets	1,109	701	24	66
Intergovernmental receivable	316	-	-	-
Total Current	2,856	13,023	20,421	2,017
Non Current				
Investments	-	-	-	-
Capital assets - non-depreciable	-	31,963	8,414	-
Capital assets - depreciable, net	-	64,640	11,665	34
Other assets	-	31	5	6
Total Non Current	-	96,634	20,084	40
Total Assets	2,856	109,657	40,505	2,057
Liabilities				
Current				
Bonds and notes payable	-	-	27	-
Accrued interest payable	-	-	41	-
Other liabilities	19	1,861	375	368
Total Current	19	1,861	443	368
Non Current				
Bonds and notes payable	-	-	521	-
Other liabilities	9	367	92	108
Total Non Current	9	367	613	108
Total Liabilities	28	2,228	1,056	476
Net Assets				
Invested in capital assets, net of related debt	-	96,603	19,532	34
Restricted by contractual or statutory agreements	2,828	10,826	19,917	1,547
Total Net Assets (deficit)	2,828	107,429	39,449	1,581

Other Programs	Combined Total
201	3,374
374	33,302
-	-
6,743	8,643
128	444
7,446	45,763
341	341
-	40,377
9	76,348
-	42
350	117,108
7,796	162,871
-	27
-	41
395	3,018
395	3,086
-	521
24	600
24	1,121
419	4,207
9	116,178
7,368	42,486
7,377	158,664

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

COMBINED - ALL FUNDS

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
Operating Revenues					
Mortgage and loans revenue	9,633	9,626	3,717	18,474	7,042
Investment interest	4,043	568	359	5,159	2,084
Net change in the fair value of investments	(1,276)	162	42	261	(233)
Total Investment Revenue	2,767	730	401	5,420	1,851
Externally funded programs	-	-	-	-	-
Rental	-	-	-	-	-
Other	14	-	-	11	5
Total Operating Revenues	12,414	10,356	4,118	23,905	8,898
Operating Expenses					
Interest	1,112	8,045	2,487	17,702	6,112
Mortgage and loan costs	845	639	237	1,045	606
Operations and administration	864	797	282	1,584	710
Financing expenses	317	286	54	628	382
Provision for loan loss	1,548	(574)	(102)	3,211	(466)
Housing grants and subsidies expenses	128	-	-	-	-
Rental housing operating expenses	-	-	-	-	-
Total Operating Expenses	4,814	9,193	2,958	24,170	7,344
Operating Income (Loss)	7,600	1,163	1,160	(265)	1,554
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	(9,427)	-	-	-	(1,158)
Transfers - Internal	(6,349)	830	296	2,222	(8,009)
Change in Net Assets	(8,176)	1,993	1,456	1,957	(7,613)
Net Assets at beginning of year	944,911	88,065	93,407	300,938	99,122
Net Assets at End of Period	936,735	90,058	94,863	302,895	91,509

Combined Other Programs	Combined Total
-	48,492
494	12,707
(219)	(1,263)
275	11,444
16,045	16,045
1,590	1,590
104	134
18,014	77,705
2	35,460
-	3,372
5,124	9,361
-	1,667
-	3,617
17,196	17,324
2,504	2,504
24,826	73,305
(6,812)	4,400
(2,164)	(12,749)
11,010	-
2,034	(8,349)
156,630	1,683,073
158,664	1,674,724

ALASKA HOUSING FINANCE CORPORATION Schedule 9

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

REVOLVING FUNDS

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Operating Revenues			
Mortgage and loans revenue	9,630	3	9,633
Investment interest	3,915	128	4,043
Net change in the fair value of investments	(1,234)	(42)	(1,276)
Total Investment Revenue	2,681	86	2,767
Other	14	-	14
Total Operating Revenues	12,325	89	12,414
Operating Expenses			
Interest	1,112	-	1,112
Mortgage and loan costs	845	-	845
Operations and administration	864	-	864
Financing expenses	334	(17)	317
Provision for loan loss	1,548	-	1,548
Housing grants and subsidies expenses	128	-	128
Rental housing operating expenses	-	-	-
Total Operating Expenses	4,831	(17)	4,814
Operating Income (Loss)	7,494	106	7,600
Nonoperating Expense Special Items & Transfers			
Contributions to the State of Alaska or other State agencies	(9,427)	-	(9,427)
Transfers - Internal	(6,349)	-	(6,349)
Change in Net Assets	(8,282)	106	(8,176)
Net Assets at beginning of year	935,052	9,859	944,911
Net Assets at End of Period	926,770	9,965	936,735

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYER BONDS

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B
Operating Revenues					
Mortgage and loans revenue	1,192	602	2,271	1,127	1,494
Investment interest	135	57	196	54	28
Net change in the fair value of investments	6	2	5	35	71
Total Investment Revenue	141	59	201	89	99
Total Operating Revenues	1,333	661	2,472	1,216	1,593
Operating Expenses					
Interest	924	474	1,973	1,219	1,312
Mortgage and loan costs	77	41	157	72	101
Operations and administration	95	48	174	96	121
Financing expenses	19	11	21	22	17
Provision for loan loss	(218)	(73)	(160)	170	(382)
Total Operating Expenses	897	501	2,165	1,579	1,169
Operating Income (Loss)	436	160	307	(363)	424
Nonoperating Expense					
Special Items & Transfers					
Transfers - Internal	99	50	183	101	128
Change in Net Assets	535	210	490	(262)	552
Net Assets at beginning of year	21,854	7,029	22,496	5,234	6,087
Net Assets at End of Period	22,389	7,239	22,986	4,972	6,639

Home Mortgage Revenue Bonds 2002 A,B	Combined Total
2,940	9,626
98	568
43	162
141	730
3,081	10,356
2,143	8,045
191	639
263	797
196	286
89	(574)
2,882	9,193
199	1,163
269	830
468	1,993
25,365	88,065
25,833	90,058

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Operating Revenues				
Mortgage and loans revenue	761	528	1,173	681
Investment interest	40	55	134	82
Net change in the fair value of investments	20	12	1	2
Total Investment Revenue	60	67	135	84
Total Operating Revenues	821	595	1,308	765
Operating Expenses				
Interest	266	365	892	516
Mortgage and loan costs	48	33	77	43
Operations and administration	62	42	85	48
Financing expenses	17	7	17	9
Provision for loan loss	(152)	(20)	-	79
Total Operating Expenses	241	427	1,071	695
Operating Income (Loss)	580	168	237	70
Nonoperating Expense Special Items & Transfers				
Transfers - Internal	64	45	90	50
Change in Net Assets	644	213	327	120
Net Assets at beginning of year	37,178	12,568	21,555	12,474
Net Assets at End of Period	37,822	12,781	21,882	12,594

Collateralized Bonds 2002 First Series	Combined Total
574	3,717
48	359
7	42
55	401
629	4,118
448	2,487
36	237
45	282
4	54
(9)	(102)
524	2,958
105	1,160
47	296
152	1,456
9,632	93,407
9,784	94,863

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OTHER HOUSING BONDS

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Operating Revenues					
Mortgage and loans revenue	-	5,075	3,339	3,823	1,795
Investment interest	289	1,117	1,348	698	83
Net change in the fair value of investments	(95)	141	114	45	23
Total Investment Revenue	194	1,258	1,462	743	106
Other	-	-	10	1	-
Total Operating Revenues	194	6,333	4,811	4,567	1,901
Operating Expenses					
Interest	-	4,786	4,114	3,739	1,794
Mortgage and loan costs	-	140	225	249	129
Operations and administration	-	366	281	375	178
Financing expenses	-	149	160	46	15
Provision for loan loss	-	3,333	119	(156)	3
Total Operating Expenses	-	8,774	4,899	4,253	2,119
Operating Income (Loss)	194	(2,441)	(88)	314	(218)
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	-	(562)	291	1,704	181
Change in Net Assets	194	(3,003)	203	2,018	(37)
Net Assets at beginning of year	20,794	(17,601)	46,921	133,945	2,956
Net Assets at End of Period	20,988	(20,604)	47,124	135,963	2,919

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
160	4,282	18,474
19	1,605	5,159
4	29	261
23	1,634	5,420
-	-	11
183	5,916	23,905
169	3,100	17,702
-	302	1,045
33	351	1,584
11	247	628
-	(88)	3,211
213	3,912	24,170
(30)	2,004	(265)
42	566	2,222
12	2,570	1,957
1,745	112,178	300,938
1,757	114,748	302,895

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NON HOUSING BONDS

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Operating Revenues					
Mortgage and loans revenue	224	126	564	521	-
Investment interest	6	44	41	447	775
Net change in the fair value of investments	7	(21)	(6)	(237)	2
Total Investment Revenue	13	23	35	210	777
Other	-	-	-	5	-
Total Operating Revenues	237	149	599	736	777
Operating Expenses					
Interest	-	108	512	984	181
Mortgage and loan costs	21	16	51	44	-
Operations and administration	14	9	49	44	38
Financing expenses	32	25	8	70	7
Provision for loan loss	(25)	(18)	8	62	-
Total Operating Expenses	42	140	628	1,204	226
Operating Income (Loss)	195	9	(29)	(468)	551
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	-	-	-	(7)	-
Transfers - Internal	21	19	52	(8,709)	(2,187)
Change in Net Assets	216	28	23	(9,184)	(1,636)
Net Assets at beginning of year	4,995	(484)	(2,172)	(7,706)	18,423
Net Assets at End of Period	5,211	(456)	(2,149)	(16,890)	16,787

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
216	1,653	1,880	1,858	7,042
131	64	473	103	2,084
27	188	(233)	40	(233)
158	252	240	143	1,851
-	-	-	-	5
374	1,905	2,120	2,001	8,898
359	955	1,495	1,518	6,112
18	157	186	113	606
17	154	183	202	710
9	147	34	50	382
(4)	(116)	(30)	(343)	(466)
399	1,297	1,868	1,540	7,344
(25)	608	252	461	1,554
-	-	(1,151)	-	(1,158)
18	276	4	2,497	(8,009)
(7)	884	(895)	2,958	(7,613)
534	(369)	67,397	18,504	99,122
527	515	66,502	21,462	91,509

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OTHER PROGRAM FUNDS

For the Three Months Ended September 30, 2005

(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Operating Revenues				
Investment interest	21	171	292	-
Net change in the fair value of investments	(9)	(76)	(129)	-
Total Investment Revenue	12	95	163	-
Externally funded programs	1,131	2,226	582	7,024
Rental	-	1,230	357	-
Other	-	66	-	-
Total Operating Revenues	1,143	3,617	1,102	7,024
Operating Expenses				
Interest	-	-	2	-
Operations and administration	43	3,330	676	891
Housing grants and subsidies expenses	1,810	-	-	5,999
Rental housing operating expenses	-	2,098	358	24
Total Operating Expenses	1,853	5,428	1,036	6,914
Operating Income (Loss)	(710)	(1,811)	66	110
Nonoperating Expense Special Items & Transfers				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	816	2,873	871	887
Change in Net Assets	106	1,062	937	997
Net Assets at beginning of year	2,722	106,367	38,512	584
Net Assets at End of Period	2,828	107,429	39,449	1,581

Other Programs	Combined Total
10	494
(5)	(219)
5	275
5,082	16,045
3	1,590
38	104
5,128	18,014
-	2
184	5,124
9,387	17,196
24	2,504
9,595	24,826
(4,467)	(6,812)
(2,164)	(2,164)
5,563	11,010
(1,068)	2,034
8,445	156,630
7,377	158,664

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
COMBINED - ALL FUNDS
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
Cash flows from operating activities:					
Interest income on mortgages and loans	8,915	9,952	3,712	18,640	7,049
Principal payments received on mortgages and loans	15,436	32,742	13,919	68,437	28,989
Purchases of mortgages and loans	(149,457)	-	-	-	-
Receipt (payment) for loan transfers between funds	79,195	(11,058)	-	(68,137)	-
Payments to employees and other payroll disbursements	(6,910)	-	-	-	-
Payments for goods and services	(13,686)	-	-	(17)	(8)
Cash received for externally funded programs	261	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-	-
Other operating cash receipts	1,035	-	-	11	209
Other operating cash payments	(418)	-	-	-	-
Net cash provided by (used for) operating activities	(65,629)	31,636	17,631	18,934	36,239
Cash flows from noncapital financing activities:					
Principal paid on bonds	-	-	(2,885)	-	(2,801)
Payment of bond issuance costs	(42)	-	-	-	-
Interest paid	(1,015)	-	(40)	(2,177)	(1,984)
Proceeds from issuance of short term debt	200,056	-	-	-	-
Payment of short term debt	(214,515)	-	-	-	-
Contributions to the State of Alaska or other State agencies	(12,003)	-	-	-	(1,157)
Transfers (to) from other funds	20,052	(246)	-	(2,548)	(9,785)
Net cash provided by (used for) noncapital financing activities	(7,467)	(246)	(2,925)	(4,725)	(15,727)
Cash flows from capital financing activities:					
Acquisition of capital assets	(2,470)	-	-	-	-
Principal paid on capital notes	(7)	-	-	-	(534)
Interest paid on capital notes	-	-	-	-	(289)
Proceeds from the direct financing lease payments	-	-	-	-	1,734
Net cash provided by (used for) capital financing activities	(2,477)	-	-	-	911
Cash flows from investing activities:					
Purchase of investments	(1,059,048)	(86,389)	(56,919)	(472,098)	(178,859)
Proceeds from maturity of investments	1,129,920	54,126	41,728	453,612	155,503
Interest received from investments	3,961	230	177	3,237	1,322
Net cash provided by (used for) investing activities	74,833	(32,033)	(15,014)	(15,249)	(22,034)
Net increase (decrease) in cash	(740)	(643)	(308)	(1,040)	(611)
Cash at the beginning of year	2,463	1,284	496	2,391	986
Cash at the end of period	1,723	641	188	1,351	375
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	7,600	1,163	1,160	(265)	1,554
Adjustments:					
Depreciation expense	26	-	-	-	-
Provision for loan losses	1,548	(574)	(102)	3,211	(466)
Amortization of bond issuance costs	-	67	40	84	98
Net change in the fair value of investments	1,276	(162)	(42)	(261)	233
Transfers between funds for operating activity	(23,151)	872	296	1,744	860
Interest received from investments	(3,961)	(230)	(177)	(3,237)	(1,322)
Interest paid	1,015	-	40	2,177	2,273
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	(54,826)	21,684	13,919	300	28,989
Net increase (decrease) in assets and liabilities	4,844	8,816	2,497	15,181	4,020
Net cash provided by (used for) operating activities	(65,629)	31,636	17,631	18,934	36,239

Combined Other Programs	Combined Total
-	48,268
-	159,523
-	(149,457)
-	-
-	(6,910)
-	(13,711)
6,872	7,133
7,942	7,942
(7,671)	(7,671)
1,669	2,924
(1)	(419)
8,811	47,622
-	(5,686)
-	(42)
-	(5,216)
-	200,056
-	(214,515)
-	(13,160)
(7,473)	-
(7,473)	(38,563)
-	(2,470)
-	(541)
-	(289)
-	1,734
-	(1,566)
(33,808)	(1,887,121)
33,196	1,868,085
499	9,426
(113)	(9,610)
1,225	(2,117)
2,149	9,769
3,374	7,652
(6,812)	4,400
1,134	1,160
-	3,617
-	289
219	1,263
19,379	-
(499)	(9,426)
-	5,505
-	10,066
(4,610)	30,748
8,811	47,622

ALASKA HOUSING FINANCE CORPORATION *Schedule 16*
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
REVOLVING FUNDS
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Cash flows from operating activities:			
Interest income on mortgages and loans	8,913	2	8,915
Principal payments received on mortgages and loans	15,435	1	15,436
Purchases of mortgages and loans	(149,457)	-	(149,457)
Receipt (payment) for loan transfers between funds	79,195	-	79,195
Payments to employees and other payroll disbursements	(6,910)	-	(6,910)
Payments for goods and services	(13,686)	-	(13,686)
Cash received for externally funded programs	261	-	261
Other operating cash receipts	1,026	9	1,035
Other operating cash payments	(415)	(3)	(418)
Net cash provided by (used for) operating activities	(65,638)	9	(65,629)
Cash flows from noncapital financing activities:			
Payment of bond issuance costs	(42)	-	(42)
Interest paid	(1,015)	-	(1,015)
Proceeds from issuance of short term debt	200,056	-	200,056
Payment of short term debt	(214,515)	-	(214,515)
Contributions to the State of Alaska or other State agencies	(12,003)	-	(12,003)
Transfers (to) from other funds	20,052	-	20,052
Net cash provided by (used for) noncapital financing activities	(7,467)	-	(7,467)
Cash flows from capital financing activities:			
Acquisition of capital assets	(2,470)	-	(2,470)
Principal paid on capital notes	(7)	-	(7)
Net cash provided by (used for) capital financing activities	(2,477)	-	(2,477)
Cash flows from investing activities:			
Purchase of investments	(1,032,516)	(26,532)	(1,059,048)
Proceeds from maturity of investments	1,103,520	26,400	1,129,920
Interest received from investments	3,833	128	3,961
Net cash provided by (used for) investing activities	74,837	(4)	74,833
Net increase (decrease) in cash	(745)	5	(740)
Cash at the beginning of year	2,202	261	2,463
Cash at the end of period	1,457	266	1,723
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	7,494	106	7,600
Adjustments:			
Depreciation expense	26	-	26
Provision for loan losses	1,548	-	1,548
Net change in the fair value of investments	1,234	42	1,276
Transfers between funds for operating activity	(23,151)	-	(23,151)
Interest received from investments	(3,833)	(128)	(3,961)
Interest paid	1,015	-	1,015
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(54,827)	1	(54,826)
Net increase (decrease) in assets and liabilities	4,856	(12)	4,844
Net cash provided by (used for) operating activities	(65,638)	9	(65,629)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
FIRST TIME HOMEBUYER BONDS
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B
Cash flows from operating activities:					
Interest income on mortgages and loans	1,194	614	2,576	1,131	1,481
Principal payments received on mortgages and loans	4,050	2,178	7,758	3,517	4,972
Receipt (payment) for loan transfers between funds	-	-	-	-	-
Net cash provided by (used for) operating activities	5,244	2,792	10,334	4,648	6,453
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	-	-
Cash flows from investing activities:					
Purchase of investments	(10,663)	(5,640)	(21,032)	(9,426)	(13,259)
Proceeds from maturity of investments	5,332	2,820	10,516	4,712	6,627
Interest received from investments	22	11	42	18	34
Net cash provided by (used for) investing activities	(5,309)	(2,809)	(10,474)	(4,696)	(6,598)
Net increase (decrease) in cash	(65)	(17)	(140)	(48)	(145)
Cash at the beginning of year	151	56	275	136	232
Cash at the end of period	86	39	135	88	87
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	436	160	307	(363)	424
Adjustments:					
Provision for loan losses	(218)	(73)	(160)	170	(382)
Amortization of bond issuance costs	15	9	12	17	10
Net change in the fair value of investments	(6)	(2)	(5)	(35)	(71)
Transfers between funds for operating activity	99	50	183	101	128
Interest received from investments	(22)	(11)	(42)	(18)	(34)
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	4,050	2,178	7,758	3,517	4,972
Net increase (decrease) in assets and liabilities	890	481	2,281	1,259	1,406
Net cash provided by (used for) operating activities	5,244	2,792	10,334	4,648	6,453

Home Mortgage Revenue Bonds 2002 A,B	Combined Total
2,956	9,952
10,267	32,742
(11,058)	(11,058)
2,165	31,636
(246)	(246)
(246)	(246)
(26,369)	(86,389)
24,119	54,126
103	230
(2,147)	(32,033)
(228)	(643)
434	1,284
206	641
199	1,163
89	(574)
4	67
(43)	(162)
311	872
(103)	(230)
(791)	21,684
2,499	8,816
2,165	31,636

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Cash flows from operating activities:				
Interest income on mortgages and loans	760	523	1,175	678
Principal payments received on mortgages and loans	2,526	2,098	3,986	2,393
Net cash provided by (used for) operating activities	3,286	2,621	5,161	3,071
Cash flows from noncapital financing activities:				
Principal paid on bonds	(2,885)	-	-	-
Interest paid	(40)	-	-	-
Net cash provided by (used for) noncapital financing activities	(2,925)	-	-	-
Cash flows from investing activities:				
Purchase of investments	(5,967)	(5,386)	(18,096)	(9,582)
Proceeds from maturity of investments	5,500	2,693	12,810	6,446
Interest received from investments	33	13	53	28
Net cash provided by (used for) investing activities	(434)	(2,680)	(5,233)	(3,108)
Net increase (decrease) in cash	(73)	(59)	(72)	(37)
Cash at the beginning of year	118	104	125	65
Cash at the end of period	45	45	53	28
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	580	168	237	70
Adjustments:				
Provision for loan losses	(152)	(20)	-	79
Amortization of bond issuance costs	15	4	12	7
Net change in the fair value of investments	(20)	(12)	(1)	(2)
Transfers between funds for operating activity	64	45	90	50
Interest received from investments	(33)	(13)	(53)	(28)
Interest paid	40	-	-	-
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	2,526	2,098	3,986	2,393
Net increase (decrease) in assets and liabilities	266	351	890	502
Net cash provided by (used for) operating activities	3,286	2,621	5,161	3,071

Collateralized Bonds 2002 First Series	Combined Total
576	3,712
2,916	13,919
3,492	17,631
-	(2,885)
-	(40)
-	(2,925)
(17,888)	(56,919)
14,279	41,728
50	177
(3,559)	(15,014)
(67)	(308)
84	496
17	188
105	1,160
(9)	(102)
2	40
(7)	(42)
47	296
(50)	(177)
-	40
2,916	13,919
488	2,497
3,492	17,631

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER HOUSING BONDS
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Cash flows from operating activities:					
Interest income on mortgages and loans	-	5,093	3,339	3,827	1,794
Principal payments received on mortgages and loans	-	9,206	15,363	18,608	6,306
Receipt (payment) for loan transfers between funds	-	(22,113)	-	(41,278)	(4,746)
Payments for goods and services	-	(17)	-	-	-
Other operating cash receipts	-	-	10	1	-
Net cash provided by (used for) operating activities	-	(7,831)	18,712	(18,842)	3,354
Cash flows from noncapital financing activities:					
Interest paid	-	(693)	-	-	-
Transfers (to) from other funds	-	(2,548)	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(3,241)	-	-	-
Cash flows from investing activities:					
Purchase of investments	(72,562)	(73,010)	(53,713)	(122,510)	(20,784)
Proceeds from maturity of investments	72,274	81,766	34,479	140,926	17,259
Interest received from investments	288	2,084	162	390	69
Net cash provided by (used for) investing activities	-	10,840	(19,072)	18,806	(3,456)
Net increase (decrease) in cash	-	(232)	(360)	(36)	(102)
Cash at the beginning of year	-	344	588	649	244
Cash at the end of period	-	112	228	613	142
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	194	(2,441)	(88)	314	(218)
Adjustments:					
Provision for loan losses	-	3,333	119	(156)	3
Amortization of bond issuance costs	-	36	15	13	10
Net change in the fair value of investments	95	(141)	(114)	(45)	(23)
Transfers between funds for operating activity	-	408	290	397	183
Interest received from investments	(288)	(2,084)	(162)	(390)	(69)
Interest paid	-	693	-	-	-
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	-	(12,907)	15,363	(22,670)	1,560
Net increase (decrease) in assets and liabilities	(1)	5,272	3,289	3,695	1,908
Net cash provided by (used for) operating activities	-	(7,831)	18,712	(18,842)	3,354

	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
	311	4,276	18,640
	3,153	15,801	68,437
	-	-	(68,137)
	-	-	(17)
	-	-	11
	3,464	20,077	18,934
	(161)	(1,323)	(2,177)
	-	-	(2,548)
	(161)	(1,323)	(4,725)
	(10,893)	(118,626)	(472,098)
	7,578	99,330	453,612
	12	232	3,237
	(3,303)	(19,064)	(15,249)
	-	(310)	(1,040)
	-	566	2,391
	-	256	1,351
	(30)	2,004	(265)
	-	(88)	3,211
	2	8	84
	(4)	(29)	(261)
	42	424	1,744
	(12)	(232)	(3,237)
	161	1,323	2,177
	3,153	15,801	300
	152	866	15,181
	3,464	20,077	18,934

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
NON-HOUSING BONDS
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Cash flows from operating activities:					
Interest income on mortgages and loans	227	125	563	529	-
Principal payments received on mortgages and loans	1,183	240	2,082	2,605	-
Payments for goods and services	-	-	-	(8)	-
Other operating cash receipts	-	-	-	5	204
Net cash provided by (used for) operating activities	1,410	365	2,645	3,131	204
Cash flows from noncapital financing activities:					
Principal paid on bonds	-	-	-	(2,801)	-
Interest paid	-	-	-	(1,070)	-
Contributions to the State of Alaska or other State agencies	-	-	-	(6)	-
Transfers (to) from other funds	-	-	-	(9,582)	(437)
Net cash provided by (used for) noncapital financing activities	-	-	-	(13,459)	(437)
Cash flows from capital financing activities:					
Principal paid on capital notes	-	-	-	(534)	-
Interest paid on capital notes	-	-	-	(289)	-
Proceeds from the direct financing lease payments	-	-	-	-	1,734
Net cash provided by (used for) capital financing activities	-	-	-	(823)	1,734
Cash flows from investing activities:					
Purchase of investments	(2,874)	(3,671)	(6,377)	(24,852)	(1,501)
Proceeds from maturity of investments	1,437	3,236	3,627	35,410	-
Interest received from investments	6	57	51	549	-
Net cash provided by (used for) investing activities	(1,431)	(378)	(2,699)	11,107	(1,501)
Net increase (decrease) in cash	(21)	(13)	(54)	(44)	-
Cash at the beginning of year	33	19	69	69	-
Cash at the end of period	12	6	15	25	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	195	9	(29)	(468)	551
Adjustments:					
Provision for loan losses	(25)	(18)	8	62	-
Amortization of bond issuance costs	32	22	5	5	2
Net change in the fair value of investments	(7)	21	6	237	(2)
Transfers between funds for operating activity	20	19	52	79	43
Interest received from investments	(6)	(57)	(51)	(549)	-
Interest paid	-	-	-	1,359	-
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	1,183	240	2,082	2,605	-
Net increase (decrease) in assets and liabilities	18	129	572	(199)	(390)
Net cash provided by (used for) operating activities	1,410	365	2,645	3,131	204

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
220	1,651	1,881	1,853	7,049
393	7,722	4,969	9,795	28,989
-	-	-	-	(8)
-	-	-	-	209
613	9,373	6,850	11,648	36,239
-	-	-	-	(2,801)
-	(914)	-	-	(1,984)
-	-	(1,151)	-	(1,157)
-	-	(203)	437	(9,785)
-	(914)	(1,354)	437	(15,727)
-	-	-	-	(534)
-	-	-	-	(289)
-	-	-	-	1,734
-	-	-	-	911
(1,240)	(27,455)	(64,909)	(45,980)	(178,859)
621	18,728	58,851	33,593	155,503
8	92	483	76	1,322
(611)	(8,635)	(5,575)	(12,311)	(22,034)
2	(176)	(79)	(226)	(611)
22	251	181	342	986
24	75	102	116	375
(25)	608	252	461	1,554
(4)	(116)	(30)	(343)	(466)
8	3	10	11	98
(27)	(188)	233	(40)	233
18	186	207	236	860
(8)	(92)	(483)	(76)	(1,322)
-	914	-	-	2,273
393	7,722	4,969	9,795	28,989
258	336	1,692	1,604	4,020
613	9,373	6,850	11,648	36,239

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER PROGRAM FUNDS
For the Three Months Ended September 30, 2005
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Cash flows from operating activities:				
Cash received for externally funded programs	258	2,328	582	695
Cash received for Federal HAP subsidies	-	-	-	6,335
Payments for Federal HAP subsidies	-	-	-	(6,064)
Other operating cash receipts	-	1,224	360	60
Other operating cash payments	-	(1)	-	-
Net cash provided by (used for) operating activities	258	3,551	942	1,026
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	(265)	(3,467)	(806)	-
Net cash provided by (used for) noncapital financing activities	(265)	(3,467)	(806)	-
Cash flows from investing activities:				
Purchase of investments	(1,432)	(11,677)	(19,983)	-
Proceeds from maturity of investments	1,418	11,505	19,568	-
Interest received from investments	21	174	292	1
Net cash provided by (used for) investing activities	7	2	(123)	1
Net increase (decrease) in cash	-	86	13	1,027
Cash at the beginning of year	-	599	524	924
Cash at the end of period	-	685	537	1,951
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(710)	(1,811)	66	110
Adjustments:				
Depreciation expense	-	970	156	6
Net change in the fair value of investments	9	76	129	-
Transfers between funds for operating activity	1,682	6,511	1,513	894
Interest received from investments	(21)	(174)	(292)	(1)
Changes in assets and liabilities:				
Net increase (decrease) in assets and liabilities	(702)	(2,021)	(630)	17
Net cash provided by (used for) operating activities	258	3,551	942	1,026

Other Programs	Combined Total
3,009	6,872
1,607	7,942
(1,607)	(7,671)
25	1,669
-	(1)
3,034	8,811
(2,935)	(7,473)
(2,935)	(7,473)
(716)	(33,808)
705	33,196
11	499
-	(113)
99	1,225
102	2,149
201	3,374
(4,467)	(6,812)
2	1,134
5	219
8,779	19,379
(11)	(499)
(1,274)	(4,610)
3,034	8,811

Alaska Housing FINANCE CORPORATION

a component unit of the State of Alaska

Financial Statements
And Independent Auditors' Report

June 30, 2005

With Summarized Financial Information for June 30, 2004

Table of Contents

This is a publication of Alaska Housing Finance Corporation. For comments or questions:
Web site:http://www.ahfc.us/financials.htm E-Mail:dboyce@ahfc.state.ak.us

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Independent Auditor's Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying statements of net assets, revenues, expenses, and changes in net assets and cash flows of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation (the Corporation) as of and for the year ended June 30, 2005, which collectively comprise the Corporation's basic financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2004 financial statements that were audited by other auditors, and whose report dated September 17, 2004 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 2, 2005, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Board of Directors
Alaska Housing Finance Corporation

The Management's Discussion and Analysis on pages 3-8 and the schedule of funding progress for PERS on page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mikunda, Cottrell & Co.

September 2, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three sections: management's discussion and analysis, the basic financial statements and supplementary schedules. The Corporation's operations are business type activities and follow enterprise fund accounting. The Corporation is a component unit of the State of Alaska ("the State") and is discretely presented in the State's financial statements. The Corporation's basic financial statements include: the Statement of Net assets; the Statement of Revenues, Expenses and Changes in Net Assets; the Statement of Cash Flows and the Notes to Financial Statements. These statements are presented for all of the Corporation's operations and programs, with a dual focus on the Corporation as a whole (entity-wide) and on its major funds. Summarized financial information for FY 2004 is also presented and is intended to facilitate and enhance understanding of the Corporation's financial position, results of operations and cash flows for the current fiscal year in comparison to the prior fiscal year.

Management's Discussion and Analysis

This section of the Alaska Housing Finance Corporation's ("the Corporation") annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2005. This information is being presented to assist the reader in focusing on significant financial issues and to provide additional information regarding the activities of the Corporation. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes.

Basic Financial Statements

The *Statement of Net Assets (Exhibit A)* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Corporation, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in this statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

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

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

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

Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. For fiscal year 2005, 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 the State and debt service payments for debt issued on behalf of the State for state capital projects

As of June 30, 2005, the Administrative Fund reported net assets of $935 million, an increase of $278 million from June 30, 2004. The increase in net assets can be primarily attributed to internal transfers into the Administrative Fund of $265 million. Approximately $86 million, or 9%, of the Administrative Fund's net assets are restricted by contractual or statutory agreements and $849 million, or 91%, are unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The Administrative Fund reported operating income of $42 million for FY 2005, an increase of $23 million from FY 2004, due primarily to increases in change in fair market value of investments held of $4 million, mortgage and loan revenues of $21 million and offset by a decrease in the provision for loan loss of $2 million.

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

The *Government Purpose Bonds 2001 A-D Fund* accounts for debt issued and assets pledged for payment of the debt under the 2001 Series A-D Supplemental Indenture dated July 1, 2001.

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

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the Corporation's operating income was $40 million. Profitability, based on operating income, as measured by the adjusted return on average assets (excluding the change in the fair value of investments) decreased to 0.9% at June 30, 2005, compared to 1.1% at June 30, 2004. The change in the fair value has been removed from the ratio due to the volatility of the return.
- The Corporation's assets exceeded its liabilities as of June 30, 2005, by $ 1.68 billion (net assets).
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2005, mortgage loans decreased by 0.9%, due to collection of loan payments exceeding new loan purchases.
- During the fiscal year ended June 30, 2005, the Corporation's total assets increased by $54 million due primarily to changes in investments & mortgage loans. Total liabilities increased by $78 million due primarily to a $68 million increase in short-term debt.
- During FY 2005 the Corporation defeased $167 million of its outstanding bonds using the proceeds from new bond issues. This advance refunding decreased aggregated debt service payments by $28 million over the next 25 years.

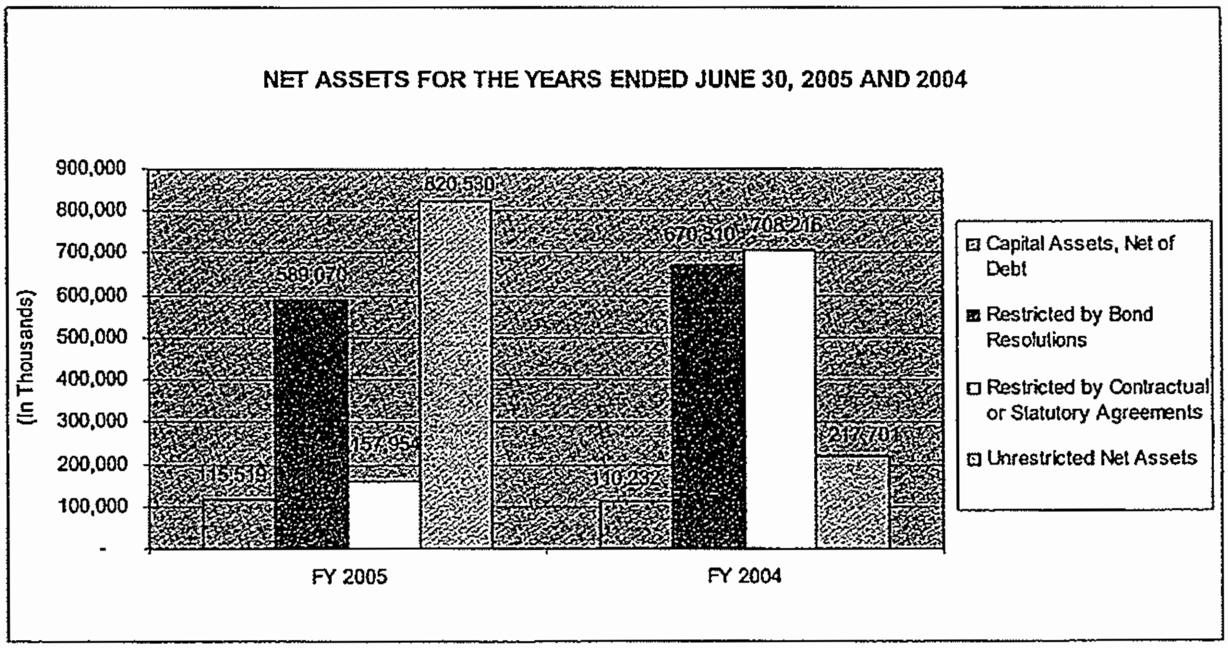
CONDENSED STATEMENT OF NET ASSETS

The following table presents condensed information about the financial position of the Corporation as of June 30, 2005 and 2004, and changes in the balances of selected items during the fiscal year ended June 30, 2005 (in thousands):

	2005	2004	Change Increase (Decrease)	
Investments	$ 1,219,415	$ 1,143,547	$ 75,868	6.6 %
Mortgage loans, notes and other loans, net	3,325,182	3,355,300	(30,118)	(0.9) %
Capital assets, net	116,073	110,813	5,260	4.7 %
Total assets	4,762,933	4,708,480	54,453	1.2 %
Bonds and notes, net	2,898,730	2,890,879	7,851	0.3 %
Total liabilities	3,079,860	3,002,021	77,839	2.6 %
Total net assets	1,683,073	1,706,459	(23,386)	(1.4) %

There were no significant changes in total assets and liabilities in FY 2005.

The chart below represents the classification of unrestricted and restricted net assets, and capital assets, net of debt, for FY 2005 and FY 2004.

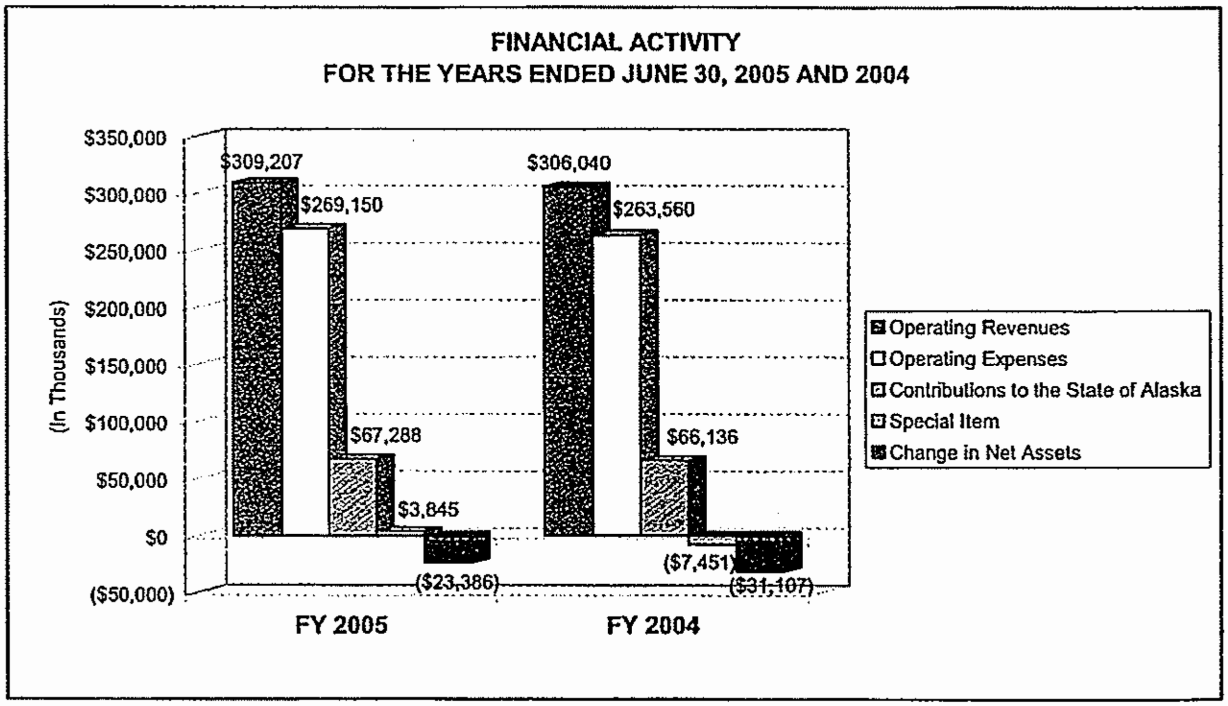


In fiscal year 2005, Net Assets were reclassified when the Housing Assistance Loan Fund changed from a statutory fund to a program within the Administrative Fund of the Corporation.

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

The following table presents condensed information about the revenues, expenses and changes in net assets for the fiscal years ended June 30, 2005 and 2004, and the variance from the prior fiscal year (in thousands):

	2005	2004	Change Increase (Decrease)	
Mortgages and loan revenue	$ 201,386	$ 206,300	$ (4,914)	(2.4) %
Investment interest income	43,162	46,358	(3,196)	(6.9) %
Net change in the fair value of investments	(1,653)	(9,554)	7,901	82.7 %
Externally funded programs	57,877	56,084	1,793	3.2 %
Total operating revenues	309,207	306,040	3,167	1.0 %
Interest expense	141,161	151,165	(10,004)	(6.6) %
Operations and administration	35,530	36,240	(710)	(2.0) %
Housing grants and subsidies	56,506	48,640	7,866	16.2 %
Total operating expenses	269,150	263,560	5,590	2.1 %
Operating income	40,057	42,480	(2,423)	(5.7) %
Contributions to the State of Alaska or other State agencies	(67,288)	(66,136)	(1,152)	1.7 %
Special item	3,845	(7,451)	11,296	151.6 %
Change in net assets	(23,386)	(31,107)	7,721	24.8 %



There was a slight increase of $3 million, or 1.0%, in operating revenue over FY 2004 primarily due to a change in the fair value of investments. Total expenses increased by $6 million, or 2.1%. However, interest expense decreased by $10 million, or 6.6%, from the previous fiscal year due to the removal of bond costs on past redemptions. That change was offset by an $8 million, or 16.2%, increase in housing grants and subsidies expense. For further grant information see accompanying Notes to the Financial Statements (Note 17). The net effect of changes in revenues and expenses was a 5.7% decrease in operating income from $42 million to $40 million.

The Corporation continued its series of annual payments to the State of Alaska and State agencies. As a result of a modification to the Transfer Plan during the 2004 Legislative Session, transfers to the State for FY 2005 were, and for FY 2006 will continue to be, $103 million. In FY 2007 the Transfer Plan calls for payment of the lesser of $103 million or 95% of the Corporation's net income, with this payment percentage declining to 85% in FY 2008 and 75% in the fiscal years thereafter. Subsequent to GASB 34, the Corporation interprets net income as operating income.

During FY 2005, the Corporation recorded a gain on sale of a loan in the amount of $4 million. Because loan sales are unusual and infrequent for the Corporation, the gain on sale was treated as a special item on the Corporation's Statement of Revenues, Expenses and Changes in Net Assets. During FY 2004 the Corporation had a special item, a loss of $7 million, on its Statement of Revenues, Expenses and Changes in Net Assets. This was a result of the Corporation calling bonds for early redemption, which included call premiums. While the early redemption is not unusual for the Corporation, the occurrence of an associated call premium is infrequent and therefore the transactions were treated as a special item for financial reporting.

The Change in Net Assets was a decrease of $23 million for FY 2005, a smaller decrease than the $31 million decrease in FY 2004, and was primarily due to non-operating transactions shown as Special Items.

DEBT ADMINISTRATION

As of June 30, 2005, the Corporation had $2.90 billion of bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's debt is rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies are:

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

Significant debt activity during the year included the following:

- Issued $308 million in Tax-Exempt General Housing Purpose Bonds;
- Issued $105 million in Federally Taxable Housing Development Bonds;
- Remarketed $144 million in Federally Taxable General Housing Purpose Bonds to Tax-Exempt General Housing Purpose Bonds;
- Defeased $167 million of the Corporation's outstanding bonds using the proceeds from the above new bond issues;

- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of $151 million and;
- Issued and redeemed short-term commercial paper under the Corporation's $150 million commercial paper program.

The Operating Budget of the State of Alaska for the fiscal year ended June 30, 2005, authorized the issuance of $798 million in bonds by the Corporation. This limitation did not apply to refunding bonds. Bond issuances for the year were under this limit.

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 available on the Corporation's loans and those available in the conventional mortgage markets, and the availability of affordable housing in the State. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Corporation to continue its mortgage financing activities.

The Corporation's main sources of revenues include mortgage loan activity, investment interest income and externally funded grants and subsidies. Market interest rates have an effect on both the mortgage program and investment income revenues. Interest rates in the United States remained at low levels during FY 2005. If interest rates continue at current levels, the Corporation expects mortgage and investment income to remain relatively stable. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates. Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. The Corporation uses many of these prepayments to call the corresponding bond series, which lowers the interest expense incurred on the Corporation's overall bonds outstanding, or to recycle mortgages to obtain the maximum allowable spread. Large federal deficits or changes in programs or funding levels could have a negative impact on externally funded program revenues.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

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

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of June 30, 2005

(with summarized financial information for June 30, 2004)

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
ASSETS			
Current			
Cash	2,202	344	566
Investments	447,556	25,727	18,031
Accrued interest receivable	3,768	3,300	1,889
Mortgage loans, notes and other loans	14,700	5,631	9,753
Net investment in direct financing lease	-	-	-
Other assets	935	97	40
Intergovernmental receivable	5	-	-
Total Current	469,166	35,099	30,279
Non Current			
Investments	-	122,551	116,243
Mortgage loans, notes and other loans, net of allowance	608,626	246,166	282,307
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	3,889	1,546
Capital assets - non-depreciable	148	-	-
Capital assets - depreciable, net	301	-	-
Other assets	1,633	-	-
Total Non Current	610,708	372,606	400,096
Total Assets	1,079,874	407,705	430,375
LIABILITIES			
Current			
Bonds and notes payable	-	6,095	5,755
Short term debt	138,375	-	-
Accrued interest payable	673	1,592	982
Other liabilities	4,958	693	1,180
Intergovernmental payable	-	-	-
Total Current	144,006	8,380	7,917
Non Current			
Bonds and notes payable	-	416,926	310,280
Other liabilities	816	-	-
Total Non Current	816	416,926	310,280
Total Liabilities	144,822	425,306	318,197
NET ASSETS			
Invested in capital assets, net of related debt	449	-	-
Restricted by bond resolutions	-	-	112,178
Restricted by contractual or statutory agreements	85,741	-	-
Unrestricted net assets, (deficit)	848,862	(17,601)	-
Total Net Assets	935,052	(17,601)	112,178

See accompanying notes to the financial statements.

Other Non-Major Funds	Total June 30, 2005	Year Ended June 30, 2004
6,657	9,769	7,939
208,139	699,453	617,090
11,805	20,762	19,897
53,280	83,364	81,679
1,799	1,799	1,705
10,292	11,364	7,875
710	715	699
292,682	827,226	736,884
281,168	519,962	526,457
2,104,719	3,241,818	3,273,621
31,044	31,044	32,842
19,700	25,135	26,404
40,543	40,691	40,227
75,081	75,382	70,586
42	1,675	1,459
2,552,297	3,935,707	3,971,596
2,844,979	4,762,933	4,708,480
79,127	90,977	91,396
-	138,375	70,145
10,900	14,147	14,562
12,433	19,264	15,977
3,007	3,007	4,358
105,467	265,770	196,438
2,080,547	2,807,753	2,799,483
5,521	6,337	6,100
2,086,068	2,814,090	2,805,583
2,191,535	3,079,860	3,002,021
115,070	115,519	110,232
476,892	589,070	670,310
72,213	157,954	708,216
(10,731)	820,530	217,701
653,444	1,683,073	1,706,459

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2005

(with summarized financial information for June 30, 2004)

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
OPERATING REVENUES			
Mortgage and loans revenue	41,281	20,540	18,108
Investment interest	9,505	3,095	5,585
Net change in the fair value of investments	(1,409)	4	6
Total Investment Revenue	8,096	3,099	5,591
Externally funded programs	-	-	-
Rental	-	-	-
Other	650	-	6
Total Operating Revenues	50,027	23,639	23,705
OPERATING EXPENSES			
Interest	1,959	16,205	10,588
Mortgage and loan costs	3,039	557	1,262
Operations and administration	2,683	1,129	1,207
Financing expenses	1,149	611	1,528
Provision for loan loss	(1,161)	(2,944)	(75)
Housing grants and subsidies	422	-	-
Rental housing operating expenses	2	-	-
Total Operating Expenses	8,093	15,558	14,510
Operating Income (Loss)	41,934	8,081	9,195
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS			
Contributions to the State of Alaska or other State agencies	(31,840)	(2,552)	-
Special Item (note 21)	3,845	-	-
Transfers - Internal	264,549	24,858	2,962
Change in Net Assets	278,488	30,387	12,157
Net assets at beginning of year	656,564	(47,988)	100,021
Net Assets at End of Period	935,052	(17,601)	112,178

See accompanying notes to the financial statements.

Other Non-Major Funds	Total June 30, 2005	Year Ended June 30, 2004
121,457	201,386	206,300
24,977	43,162	46,358
(254)	(1,653)	(9,554)
24,723	41,509	36,804
57,877	57,877	56,084
6,183	6,183	6,109
1,596	2,252	743
211,836	309,207	306,040
112,409	141,161	151,165
8,272	13,130	13,059
30,511	35,530	36,240
8,653	11,941	6,168
4,077	(103)	(1,861)
56,084	56,506	48,640
10,983	10,985	10,149
230,989	269,150	263,560
(19,153)	40,057	42,480
(32,896)	(67,288)	(66,136)
-	3,845	(7,451)
(292,369)	-	-
(344,418)	(23,386)	(31,107)
997,862	1,706,459	1,737,566
653,444	1,683,073	1,706,459

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005
(with summarized financial information for June 30, 2004)
(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
Cash flows from operating activities:			
Interest income on mortgages and loans	38,769	20,799	18,566
Principal payments received on mortgages and loans	48,315	51,422	56,196
Purchases of mortgages and loans	(567,521)	-	-
Receipt (payment) for loan transfers between funds	357,672	(26,507)	(30,069)
Payments to employees and other payroll disbursements	(25,535)	-	-
Payments for goods and services	(49,377)	(102)	-
Cash received for externally funded programs	237	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Other operating cash receipts	55,184	-	6
Other operating cash payments	(6,399)	-	-
Net cash provided by (used for) operating activities	(148,655)	45,612	44,699
Cash flows from noncapital financing activities:			
Proceeds from the issuance of bonds	-	105,000	-
Principal paid on bonds	-	(24,355)	(5,475)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,509)	-	-
Interest paid	(1,668)	(15,603)	(10,343)
Proceeds from issuance of short term debt	828,416	-	-
Payment of short term debt	(760,477)	-	-
Contributions to the State of Alaska or other State agencies	(52,606)	(2,553)	-
Transfers (to) from other funds	232,748	5,566	-
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	244,904	68,055	(15,818)
Cash flows from capital financing activities:			
Acquisition of capital assets	(11,055)	-	-
Proceeds from the disposal of capital assets	255	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	(26)	-	-
Payment of bond issuance costs	(34)	-	-
Interest paid on capital notes	(2)	-	-
Proceeds from the direct financing lease payments	-	-	-
Net cash provided by (used for) capital financing activities	(10,862)	-	-
Cash flows from investing activities:			
Purchase of investments	(4,520,876)	(456,572)	(279,560)
Proceeds from maturity of investments	4,427,212	341,572	245,352
Interest received from investments	9,336	1,439	5,459
Net cash provided by (used for) investing activities	(84,328)	(113,561)	(28,749)
Net increase (decrease) in cash	1,059	106	132
Cash at the beginning of year	1,143	238	434
Cash at the end of period	2,202	344	566
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	41,934	8,081	9,195
Adjustments:			
Depreciation expense	96	-	-
Provision for loan losses	(1,161)	(2,944)	(75)
Amortization of bond issuance costs	-	131	31
Net change in the fair value of investments	1,409	(4)	(6)
Transfers between funds for operating activity	(104,910)	1,307	1,515
Interest received from investments	(9,336)	(1,439)	(5,459)
Interest paid	1,670	15,603	10,343
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(114,066)	24,915	26,127
Net increase (decrease) in assets and liabilities	35,709	(38)	3,028
Net cash provided by (used for) operating activities	(148,655)	45,612	44,699
Noncash investing, capital and financing activities:			
Asset transfers	(379,800)	16,322	

See accompanying notes to the financial statements.

Other Non-Major Funds	Total June 30, 2005	Year Ended June 30, 2004
123,795	201,929	203,817
386,312	542,245	806,512
-	(567,521)	(823,798)
(301,096)	-	-
-	(25,535)	(22,687)
(41)	(49,520)	(42,278)
22,374	22,611	24,463
32,908	32,908	29,946
(32,916)	(32,916)	(30,434)
7,771	62,961	10,961
(613)	(7,012)	(6,419)
238,494	180,150	150,083
300,993	405,993	287,300
(210,536)	(240,366)	(511,545)
(173,820)	(173,820)	-
(2,009)	(3,518)	(1,901)
(115,472)	(143,086)	(145,902)
-	828,416	865,429
-	(760,477)	(945,188)
(10,669)	(65,828)	(66,852)
(238,314)	-	-
(130)	(130)	(3,424)
(449,957)	(152,816)	(522,083)
-	(11,055)	(10,442)
484	739	161
24,000	24,000	-
(1,080)	(1,106)	(1,051)
(166)	(200)	-
(1,031)	(1,033)	(671)
-	-	3,549
22,207	11,345	(8,454)
(2,494,985)	(7,751,993)	(8,678,819)
2,660,942	7,675,078	8,999,668
23,832	40,066	46,329
189,789	(36,849)	367,178
533	1,830	(13,276)
6,124	7,939	21,215
6,657	9,769	7,939
(19,153)	40,057	42,480
4,976	5,072	3,974
4,077	(103)	(1,861)
2,563	2,725	2,403
254	1,653	9,554
102,088	-	-
(23,832)	(40,066)	(46,329)
116,503	144,119	146,573
85,216	22,192	(17,286)
(34,198)	4,501	10,575
238,494	180,150	150,083
363,478		

NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

FOR THE YEAR ENDED JUNE 30, 2005

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

1 AUTHORIZING LEGISLATION AND FUNDING

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska (State), was created in 1971, and substantially modified in 1992, by acts of the Alaska State Legislature (Legislature) to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. The Corporation is authorized by the Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State of Alaska. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development (HUD), Energy (DOE), and Health and Human Services (HHS), as well as capital and operating subsidies from the Corporation's own funds.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

Summarized financial information for fiscal year 2004 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Corporation's entity-wide financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, result of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

Major and Non-Major Funds

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

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

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

Government Purpose Bonds 2001 A-D. This fund accounts for debt issued and assets pledged for payment of the debt under the 2001 Series A-D Supplemental Indenture dated as of July 1, 2001.

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

Restricted Net Assets

The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 16, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The significant estimate for the Corporation is the allowance for loan losses.

Investments

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

Accrued Interest Receivable on Loans and Real Estate Owned

Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

Loans

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Under previous agreements, the Corporation exchanged mortgages for mortgage-backed securities (MBSs) with Federal Home Loan Mortgage Corporation (FHLMC) and issued mortgage certificates guaranteed by the Government National Mortgage Association (GNMA). MBSs received in exchange for mortgages and those issued by the Corporation under its MBS program are carried at the unpaid principal balance of the underlying mortgage loans, net of related allowances.

Allowances for Estimated Loan Losses
The Corporation provides for possible losses on loans anticipated to be foreclosed upon. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

Real Estate and Mobile Homes Owned
Real estate and mobile homes owned consist principally of properties acquired through foreclosure or repossession and are carried at the lower of cost or estimated net realizable value. These amounts are included in other assets.

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

Bonds and Notes
The Corporation issues bonds and notes to provide capital for its mortgage programs, and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums are amortized using the effective interest method. Deferred debt refunding expenses are amortized over the shorter of the remaining life of the old debt, or the remaining life of the new debt.

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

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

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

Reclassifications
Certain prior year balances have been reclassified to conform to the current period presentation.

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, 2005	June 30, 2004
Restricted cash	$ 7,567	$ 7,282
Unrestricted	2,202	657
Carrying amount	9,769	7,939
Bank balance	$ 11,570	$ 8,172

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Investment Maturities (In Years)					
	Less Than 1	1-5	6-10	More Than 10	June 30, 2005	June 30, 2004
Bank investment contracts	$ 198,848	$ -	$ -	$ -	$ 198,848	$ 200,039
U.S. Treasury securities	19,654	53,949	-	-	73,603	28,683
Securities of U.S. Government agencies and corporations	204,459	51,543	-	-	256,002	220,589
Asset-backed securities	1,071	20,983	2,013	-	24,067	34,340
Certificates of deposit	15,000	-	-	-	15,000	15,000
Commercial paper & medium term notes	444,777	42,743	2,340	-	489,860	454,049
Guaranteed investment contracts	128,907	-	-	-	128,907	154,557
Money market funds	33,128	-	-	-	33,128	36,290
Total investments	$1,045,844	$ 169,218	$ 4,353	$ -	$1,219,415	$1,143,547

Restricted Investments

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

	June 30, 2005	June 30, 2004
Restricted investments	$ 857,599	$ 893,658
Unrestricted	361,816	249,889
Carrying amount	$ 1,219,415	$ 1,143,547

Realized Gains and Losses
The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses is shown below (in thousands):

	June 30, 2005	June 30, 2004
Ending unrealized holding gain (loss)	$ 423	$ (745)
Beginning unrealized holding gain (loss)	(745)	7,227
Net change in unrealized holding gain (loss)	1,168	(7,972)
Net realized loss	(2,821)	(1,582)
Net decrease in Fair Value	$ (1,653)	$ (9,554)

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

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

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

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

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

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

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

The credit quality ratings of the Corporation's investments as of June 30, 2005, as described by nationally recognized statistical rating organizations, are shown below (in thousands). $73,603,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, are not included in the summary.

Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and corporations:		
Aaa	AAA	$ 256,002
Asset-backed securities:		
Aaa	AAA	22,996
Commercial paper & medium-term notes:		
Aaa	AAA	13,193
Aa1	AA+	1,979
Aa1	AA-	2,400
Aa2	AA	2,204
Aa2	AA-	7,164
Aa2	A+	2,099
Aa3	AA	11,183
Aa3	AA-	5,838
Aa3	A+	5,568
Aa3	A	1,015
A1	AA-	1,028
P-1	A-1+	314,355
P-1	A-1	106,344
--	A-1	14,147
Baa3	BBB	1,343
		489,860
Money market funds		
--	AAAm	29,713
Unrated investments:		
Bank investment contracts		198,848
Asset-backed securities		1,071
Certificates of deposit		15,000
Guaranteed investment contracts		128,907
Money market funds		3,415
		347,241
		$ 1,145,812

NOTES TO FINANCIAL STATEMENTS

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

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

Investment Holdings Greater than Five Percent of Total Portfolio
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's fiscal policy and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of June 30, 2005, the Corporation had investment balances, greater than 5 percent of the Corporations total investments, with the following issuers (in thousands).

Issuer	Investment Fair Value	Percentage of Total Portfolio
Bayerische Landesbank	$ 133,611	11.0%
Fannie Mae	121,814	10.0
FSA Capital Management Services	105,000	8.6
UBS Finance	75,048	6.2
Westdeutsche Landesbank	65,237	5.4
GE Capital Services	64,806	5.3

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 $11,570,000 bank balance at June 30, 2005, cash deposits in the amount of $5,741,000 were uninsured and uncollateralized.

Of the Corporation's $1,219,415,000 total investments at June 30, 2005, bank investment contracts in the amount of $133,611,000 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

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

Modified Duration
Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of June 30, 2005:

	Investment Fair Value	Modified Duration
Bank investment contracts	$ 198,848	0.000
U.S. Treasury securities:		
Treasury coupon securities	68,258	1.885
Treasury discounts	5,345	0.188
Securities of U.S. Government agencies and corporations:		
Federal agency discounts	176,695	0.110
Federal agency coupon securities	62,445	1.627
Federal agency pass through securities	16,862	1.032
Asset-backed securities	24,067	2.763
Certificates of deposit	15,000	0.132
Commercial paper & medium term notes:		
Commercial paper discounts	434,845	0.100
Corporate bonds	5,239	2.642
Medium term notes	44,564	1.855
Municipal bonds	1,343	7.827
Floating rate notes	3,869	2.160
Guaranteed investment contracts	128,907	0.000
Money market funds	33,128	0.000
	$ 1,219,415	
Portfolio modified duration		0.443

A minimal percentage of the Corporation's total investment portfolio is municipal bonds, which are relatively more sensitive to changing interest rates than the rest of the Corporation's investment portfolio. Municipal bonds held as of June 30, 2005, are as follows:

	Rate	Maturity
Northern Tobacco Securitization Corporation	4.75%	June 1, 2015

4 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	June 30, 2005	June 30, 2004
Mortgage loans	$ 3,107,178	$ 3,073,293
Mortgage-backed securities issued by the Corporation	15,387	24,508
Multi-family loans	262,066	316,749
Other notes receivable	29,142	29,433
	3,413,773	3,443,983
Less:		
Allowance for losses	(88,591)	(88,683)
Net Mortgage loans, notes and other loans	$ 3,325,182	$ 3,355,300

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

	June 30, 2005	June 30, 2004
Delinquencies and foreclosures:		
Loans delinquent 30 days or more	$ 100,797	$ 113,271
Foreclosures during period	2,347	3,947
Loans in foreclosure process	9,629	7,282.
Mortgage-related commitments:		
To purchase mortgage loans	109,845	179,861
To repurchase loans upon foreclosure	13,694	19,825

5 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.

6 LOAN SELF INSURANCE PROGRAM

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

7 DIRECT FINANCING LEASE

In July, 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building Program (the "Program") and has been leased to the State of Alaska for occupancy by its departments and agencies located in Anchorage. The State has the option to purchase the building at the end of the lease for $1. In December 1999 the Corporation issued the State Building Lease Bonds, 1999 Series in the amount of $40,000,000 to finance the purchase. The lease of the building to the State has been recorded as a direct financing lease.

The following table lists the components of the net investment in direct financing lease 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
2006	$ 3,549
2007	3,549
2008	3,549
2009	3,549
2010	3,549
Thereafter	28,397
Gross payments due	46,142
Less: Unearned revenue	(13,299)
Net investment in direct financing lease	$ 32,843

8 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 and a summary of balances are shown below (in thousands):

	July 1, 2004	Additions	Reductions	June 30, 2005
NON-DEPRECIABLE CAPITAL ASSETS:				
Land	$ 13,847	$ -	$ (85)	$ 13,762
Construction in progress	26,380	10,266	(9,717)	26,929
TOTAL NON-DEPRECIABLE	40,227	10,266	(9,802)	40,691
DEPRECIABLE CAPITAL ASSETS:				
Buildings	151,562	9,621	(708)	160,475
Computers & Equipment	3,158	153	(64)	3,247
Leasehold Improvements	-	88	-	88
Vehicles	1,803	152	-	1,955
	156,523	10,014	(772)	165,765
Less: Accumulated depreciation				
Buildings	(81,662)	(4,736)	562	(85,836)
Computers & Equipment	(2,832)	(159)	64	(2,927)
Leasehold Improvements	-	(5)		(5)
Vehicles	(1,443)	(172)	-	(1,615)
	(85,937)	(5,072)	626	(90,383)
TOTAL DEPRECIABLE, NET	70,586	4,942	(146)	75,382
TOTAL CAPITAL ASSETS, NET	$ 110,813	$ 15,208	$ (9,948)	$ 116,073

The depreciation expense charged by the Corporation was $5,072,000 for the year ended June 30, 2005.

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 $6,243,000 at June 30, 2005.

9 BONDS AND NOTES PAYABLE

With the exception of the Veterans Mortgage Program Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. All of the bonds and notes are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation is pledged to the outstanding obligations of the Corporation.

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

	Original Amount	June 30, 2005	June 30, 2004
FIRST-TIME HOME BUYER BONDS:			
Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1996 Series A,			
4.4% to 6.5%, due 2005-2027	159,870	-	17,226
Accreted interest		-	4,623
• 1997 Series A,			
4.15% to 6.0%, due 2005-2037	160,000	59,500	70,720
Accreted interest		6,497	5,464
Unamortized discount		(386)	(399)
• 1998 Series A,			
3.95% to 5.4%, due 2005-2035	70,000	36,765	39,680
• 1999 Series A1 & A2			
4.5% to 6.25%, due 2005-2031	200,000	133,070	143,445
Unamortized discount		(115)	(117)
• 2000 Series A,			
5.9% to 6.0%, due 2036-2040	58,315	28,920	28,920
• 2000 Series B,			
5.45%, due 2015	3,795	3,795	3,795
• 2000 Series C,			
4.7% to 6.0% due 2010-2032	68,785	40,340	43,345
Unamortized discount		(211)	(235)
• 2001 Series A,			
2.5% to 5.3%, due 2005-2031	32,740	26,165	28,175
• 2001 Series B,			
4.15% to 5.45%, due 2007-2041	104,450	75,325	77,785
Unamortized premium		69	74
• 2002 Series A, Floating Rate*,			
2.45% at June 30, 2005, due 2032, 2036	170,000	170,000	170,000
Taxable:			
• 2000 Series D,			
7.0% to 7.32%, due 2005-2020	25,740	8,140	11,965
• 2002 Series B, Floating Rate*			
3.30% at June 30, 2005, due 2036	30,000	24,255	24,255
TOTAL FIRST-TIME HOMEBUYER BONDS	1,083,695	612,129	668,721

	Original Amount	June 30, 2005	June 30, 2004
VETERANS MORTGAGE PROGRAM BONDS:			
Collateralized State Guaranteed Bonds:			
Tax-Exempt:			
• Collateralized Bonds 1994 First Series, 5.3% to 6.8%	130,000	-	22,705
• Collateralized Bonds 1995 First Series, 4.6% to 6.55%	30,000	-	1,900
Unamortized discount		-	(13)
• Collateralized Bonds 1997 First Series, 5.5%, due 2039	100,000	20,120	24,425
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2005-2040	60,000	27,310	29,855
Unamortized discount		(183)	(192)
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2005-2039	110,000	59,110	66,255
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2005-2039	70,000	33,145	38,705
• Collateralized Bonds 2002 First Series, 2.65% to 5.65%, due 2005-2034	50,000	32,970	34,935
TOTAL VETERANS MORTGAGE PROGRAM BONDS	550,000	172,472	218,575
OTHER HOUSING BONDS:			
Housing Development Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.15% to 5.7%, due 2005-2029	6,510	360	470
• 1997 Series B, 4.25% to 5.8%, due 2005-2029	17,000	930	1,210
• 1999 Series A, 4.1% to 6.3%, due 2005-2029	1,675	1,545	1,575
• 1999 Series B, 4.2% to 6.37%, due 2005-2029	5,080	4,710	4,790
Unamortized discount		(2)	(2)
• 1999 Series C, 4.1% to 6.2%, due 2005-2029	50,000	46,235	47,055
Unamortized discount		(17)	(17)
• 2000 Series B, Floating Rate*, monthly payments, 2.3% at June 30, 2005, due 2030	41,705	41,705	41,705
• 2002 Series A, 1.8% to 5.3%, due 2005-2033	8,440	3,420	3,550
• 2002 Series B, 1.6% to 5.15%, due 2005-2022	8,690	7,930	8,240

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2005	June 30, 2004
• 2002 Series C, 1.6% to 5.25%, due 2005-2032	70,000	67,010	68,225
• 2002 Series D, Floating Rate*, monthly payments, 2.20% at June 30, 2005, due 2037	37,870	36,380	36,990
• 2004 Series A, 1.3% to 4.85%, due 2005-2030	33,060	32,405	33,060
• 2004 Series B, 1.2% to 4.75%, due 2005-2032	52,025	51,070	52,025
Taxable:			
• 1997 Series C, 6.8% to 7.55%, due 2007-2029	23,895	1,065	1,375
• 2004 Series C, Floating Rate Auction Bonds** Payments every five weeks, 3.14% at June 30, 2005 due 2005-2035	42,125	23,275	42,125
• 2004 Series D, 3.65% to 5.6%, due 2005-2043	105,000	105,000	-
SUB-TOTAL HOUSING DEVELOPMENT BONDS	503,075	423,021	342,376
General Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.15% to 6.1%, due 2005-2037	434,911	270,576	315,721
Accreted interest		6,656	5,657
• 1999 Series A, 4.25% to 6.05%, due 2005-2049	302,700	249,760	251,420
Unamortized deferred debt refunding expense		(1,706)	(1,787)
Unamortized discount		(1,677)	(1,790)
• 2002 Series A, 3.45% to 5.0%, due 2010-2040	150,000	150,000	150,000
Unamortized deferred debt refunding expense		(1,282)	(1,325)
Unamortized premium		593	611
Government Purpose Bonds:			
Tax-Exempt:			
• 1995 Series A, 4.5% to 5.875%,	335,000	-	153,605
Unamortized discount		-	(3,151)
• 1997 Series A, Floating Rate* monthly payments, 2.43% at June 30, 2005, due 2027	33,000	26,700	28,200
• 2001 Series A, Floating Rate*, 2.40% at June 30, 2005, due 2030	76,580	70,830	72,405
• 2001 Series B, Floating Rate*, 2.20% at June 30, 2005, due 2030	93,590	86,555	88,485

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2005	June 30, 2004
Taxable:			
• 2001 Series C, Floating Rate*, monthly payments, 3.27% at June 30, 2005, due 2032	100,000	96,580	97,780
• 2001 Series D, Floating Rate*, monthly payments, 3.30% at June 30, 2005, due 2032	100,000	62,070	62,840
TOTAL OTHER HOUSING BONDS	2,128,856	1,438,676	1,561,047
NON-HOUSING BONDS:			
State Capital Project Bonds:			
Tax-Exempt:			
• 1999 Series A,			
3.4% to 5.0%, due 2005-2005	92,365	7,665	22,450
Unamortized premium		859	1,231
• 1999 Series B,			
4.0% to 5.5%, due 2005-2005	103,980	13,185	33,915
Unamortized premium		805	1,021
• 2001 Series A,			
3.2% to 5.25%, due 2005-2007	74,535	46,190	55,625
Unamortized premium		1,302	1,527
• 2002 Series A,			
3% to 4%, due 2005-2011	32,905	26,655	29,865
Unamortized premium		1,161	1,429
• 2002 Series B, Floating Rate Auction Bonds** Payments every four weeks,			
2.40% at June 30, 2005, due 2024	14,555	14,555	14,555
• 2002 Series C, Floating Rate*			
2.26% at June 30, 2005, due 2022	60,250	60,250	60,250
State Building Lease Bonds:			
Tax-Exempt:			
• 1999 Series,			
4.25% to 5.8%, due 2005-2017	40,000	14,165	32,460
Unamortized discount		(74)	(168)
General Housing Purpose Bonds:			
Tax-Exempt:			
• 1992 Series A,			
5.3% to 6.6%, due 2005-2023	200,000	23,340	27,705
• 2003 Series A, Floating Rate*, monthly payments, 2.40% at June 30, 2005, due 2023	143,995	136,790	143,995
• 2003 Series B, Floating Rate*, monthly payments, 2.40% at June 30, 2005, due 2023	16,095	16,095	16,095
• 2005 Series A,			
2.2% to 5.25%, due 2006-2041	143,235	143,235	-
Unamortized premium		6,114	-

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2005	June 30, 2004
2005 Series B,			
2.6% to 5.25%, due 2005-2030	147,610	147,610	-
Unamortized deferred debt refunding expense		(11,646)	-
Unamortized premium		9,758	-
2005 Series C,			
2.6% to 5%, due 2005-2017	16,885	16,885	-
TOTAL NON-HOUSING BONDS	1,086,410	674,899	441,955
OTHER PROGRAM FUNDS:			
Home Ownership Notes:			
Tax-Exempt:			
• Wrangell Project HUD Note, monthly payments,			
1.0%-3.0%, due 2005-2007	1,161	554	581
TOTAL OTHER PROGRAMS	1,161	554	581
TOTAL BONDS PAYABLE	$ 4,850,122	$ 2,898,730	$ 2,890,879

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

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

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

Redemption Provisions

The bonds and notes are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The accelerated amortization of related discounts and costs of issuance resulting from these early redemptions is included in interest expense and financing costs. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once they reach 15% of issuance.

During the year ended June 30, 2005, the Corporation made special revenue redemptions of $150,596,000 and no current refundings. The Corporation made special revenue redemptions of $214,235,000 and current refundings of $232,815,000 during fiscal year 2004.

Advance Refundings

In May, 2005, the Corporation issued $147,610,000 in General Housing Purpose Bonds, 2005 Series B with an average interest rate of 4.88% and $16,885,000 in General Housing Purpose Bonds, 2005 Series C with an average interest rate of 4.83%. These bonds were issued to defease $150,995,000 of Governmental Purpose Bonds, 1995 Series A with an average interest rate of 5.81% and $2,635,000 serial bonds maturing 4/1/2012 and 10/1/2012, $7,255,000 term bonds maturing 4/1/2015, and $6,595,000 term bonds maturing 4/1/2017 of the State Building Lease Bonds, Series 1999 with an average interest rate of 5.72%.

Net proceeds of the General Housing Purpose Bonds, 2005 Series B totaled $155,801,000 after a premium of $9,238,000, a discount of $5,000, an underwriting fee of $1,014,000 and COI fees of $27,000. These net proceeds were deposited with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for the Governmental Purpose Bonds, 1995 Series A bonds has been removed. The final redemption of the Governmental Purpose Bonds, 1995 Series A will occur on December 1, 2005.

Net proceeds of the General Housing Purpose Bonds, 2005 Series C totaled $18,019,000 after a premium of $1,263,000, an underwriting fee of $121,000 and COI fees of $7,000. These net proceeds were deposited with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the portion of the State Building Lease Bonds, Series 1999 referenced above are considered to be defeased and the liability for these bonds has been removed. The final redemption of the portion of State Building Lease Bonds, Series 1999 referenced above will occur on April 1, 2010.

This advance refunding resulted in the recognition of debt refunding expense (representing the difference between the reacquisition price and the net carrying amount of the refunded debt) totaling $11,646,000 which has been deferred, and will be amortized over the remaining life of the refunded debt. This advance refunding also decreased aggregate debt service payments by $28,059,000 over the next twenty-five years. It allowed the Corporation to obtain an economic gain of approximately $17,003,000, which represents the difference between the present value of the defeased bonds' debt service payments net of related reserve funds and accrued interest, and refunding bonds.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2010 and in five year increments thereafter to maturity, categorized by each Major Fund and other Non-Major Funds in the aggregate, are shown below and continued on the following page (in thousands):

12 Months Ending June 30	Housing Development Bonds (Various Issues)		Governmental Purpose Bonds Series 2001 A-D	
	Principal	Interest*	Principal	Interest*
2006	$ 6,095	$ 18,771	$ 5,755	$ 11,672
2007	6,310	18,583	6,065	11,449
2008	6,780	18,445	6,370	11,224
2009	6,770	18,140	6,715	10,959
2010	7,060	17,974	7,040	10,710
Total Five Years 2006-2010	33,015	91,913	31,945	56,014
Five Years Ending June 30				
2011-2015	40,590	85,029	41,360	49,183
2016-2020	52,030	74,465	53,145	40,430
2021-2025	63,300	60,210	69,230	29,205
2026-2030	73,805	43,026	91,070	14,636
2031-2035	87,445	22,514	29,285	1,219
2036-2040	53,880	10,140	-	-
2041-2045	18,975	1,782	-	-
2046-2049	-	-	-	-
	$ 423,040	$ 389,079	$ 316,035	$ 190,687

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2005.

** Also see Note 10 – Derivatives.

NOTES TO FINANCIAL STATEMENTS

Other Non-Major Bonds		Total Debt Service		
Principal	Interest*	Principal	Interest*	Total
$ 79,127	$ 105,813	$ 90,977	$ 136,256	$ 227,233
54,003	102,369	66,378	132,401	198,779
36,794	100,079	49,944	129,748	179,692
35,890	98,457	49,375	127,556	176,931
32,450	96,976	46,550	125,660	172,210
238,264	503,694	303,224	651,621	954,845
234,020	455,701	315,970	589,913	905,883
281,576	423,943	386,751	538,838	925,589
323,891	326,508	456,421	415,923	872,344
352,256	264,974	517,131	322,636	839,767
286,230	175,615	402,960	199,348	602,308
324,643	75,414	378,523	85,554	464,077
55,095	23,012	74,070	24,794	98,864
47,165	6,478	47,165	6,478	53,643
$2,143,140	$2,255,339	$2,882,215	$2,835,105	$5,717,320

10 DERIVATIVES

Swap Objectives

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

Swap Payments and Associated Debt

As of June 30, 2005, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2006	$3,640	$8,048	$7,741	$19,429
2007	3,795	8,003	7,671	19,469
2008	4,640	7,934	7,595	20,169
2009	5,135	7,823	7,505	20,463
2010	5,465	7,729	7,406	20,600
2011-2015	52,775	36,345	34,816	123,936
2016-2020	79,320	29,603	28,268	137,191
2021-2025	96,950	20,562	19,851	137,363
2026-2030	81,955	11,598	11,484	105,037
2031-2035	52,240	4,450	4,496	61,186
2036-2037	16,275	335	339	16,949
	$402,190	$142,430	$137,172	$681,792

Significant Terms

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of June 30, 2005, are included in the following schedule. The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating[6]
GP01A[1]	$ 70,830	$ 79,413	$ (8,583)	08/02/01	4.1427%	67% of LIBOR[4]	12/01/30	A/A2
GP01B	86,555	97,119	(10,564)	08/02/01	4.1427%	67% of LIBOR	12/01/30	A+/Aa3
E021A1[2]	50,000	56,158	(6,158)	05/16/02	4.1030%	68% of LIBOR	06/01/32	AAA/Aaa
E021A2	120,000	132,506	(12,506)	05/16/02	4.3430%	68% of LIBOR	12/01/36	AAA/Aaa
SC02B[3]	14,555	15,571	(1,016)	12/05/02	3.7700%	70% of LIBOR	07/01/24	AAA/Aaa
SC02C	60,250	63,949	(3,699)	12/05/02	4.3030%	BMA[5] + 0.115%	07/01/22	AAA/Aaa
	$ 402,190	$ 444,716	$ (42,526)					

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate
5. The Bond Market Association Municipal Swap Index
6. Standard & Poor's/Moody's

Fair Value
Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of the Corporation's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of June 30, 2005. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

Risks

a. **Credit Risk**
As of June 30, 2005, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 61% of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21% and 18%, respectively, of the total outstanding notional swap value.

b. **Basis Risk**
A majority of the Corporation's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2005, the BMA rate was 2.28%, whereas LIBOR was 3.34%. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

c. **Rollover Risk**
Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

d. **Termination Risk**
If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of June 30, 2005, the Corporation is not exposed to any additional termination risk on its interest rate swaps.

11 LONG TERM LIABILITIES

The activity for other liabilities for the year ended June 30, 2005 is summarized in the following schedule (in thousands):

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
Bonds and notes payable	$ 2,890,879	$ 421,104	$ (413,253)	$ 2,898,730	$ 90,977
Compensated absences	2,764	2,323	(2,080)	3,007	2,068
Other liabilities	5,318	4,181	(4,101)	5,398	-
Total other long-term liabilities	8,082	6,504	(6,181)	8,405	2,068
	$ 2,898,961	$ 427,608	$ (419,434)	$ 2,907,135	$ 93,045

12 SHORT TERM DEBT

The Corporation has a commercial paper program. Commercial paper is issued and redeemed to meet the cash flow requirements of the Corporation's activities. Individual maturities may range from 2 to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000. A summary of commercial paper, which represents an unsecured general obligation of the Corporation, is shown below (in thousands):

	June 30, 2005	June 30, 2004
Maturity amount	$ 138,510	$ 70,170
Less: Discounts	(135)	(25)
Balance outstanding	$ 138,375	$ 70,145
Yields issued during period:		
Lowest	1.1600%	1.0000%
Highest	3.2200%	1.1600%

Short Term Debt Activity

Short term debt activity for the year ended June 30, 2005 is summarized in the following schedule (in thousands):

	July 1, 2004	Additions	Reductions	June 30, 2005
Commercial paper	$ 70,170	$ 830,485	$ (762,145)	$ 138,510
Unamortized discount	(25)	(2,069)	1,959	(135)
	$ 70,145	$ 828,416	$ (760,186)	$ 138,375

13 TRANSFERS

Transfers for the year ended June 30, 2005 are summarized in the following schedule (in thousands):

Transfer To	Transfer From: Administrative Fund	Government Purpose Bonds 2001 A-D	Other Non-Major Funds	Total
Administrative Fund	$ -	$ -	$ 238,526	$ 238,526
Housing Development	6,760	113	-	6,873
Government Purpose Bonds 2001 A-D	1,834	-	-	1,834
Other Non-Major Funds	102,094	206	15,049	117,349
Total	$ 110,688	$ 319	$ 253,575	$ 364,582

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

14 OTHER CREDIT ARRANGEMENTS

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary to satisfy debt service or unpaid bond principal obligations. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount. The Corporation had unused liquidity facilities or similar credit enhancement agreements in connection with amounts required for debt service or unpaid bond principal for certain bond issues as shown below (in thousands):

	June 30, 2005	June 30, 2004
Liquidity facility	$ 863,175	$ 875,855
Bond insurance	2,229,826	1,960,616
	$ 3,093,001	$ 2,836,471

On July 26, 2001, the Corporation entered a liquidity facility swap agreement with a counter-party for up to $370,000,000 relating to the Government Purpose Bonds 2001 Series A-D. The Corporation has an option to renew the agreement annually. The amount is reflected in the table above.

The Corporation also reestablished in October, 2002, a $200,000,000 revolving credit facility that is not related to a specific bond issue. At June 30, 2005, no draw downs had been made on the revolving credit facility.

Government Purpose Bonds, 1995 Series A are insured by surety bonds. The agreement unconditionally and irrevocably guarantees scheduled payments of principal and interest on the bonds.

Certain letter-of-credit agreements contain covenants restricting the amendment of terms and redemption of bonds or notes, and setting the minimum combined fund equity of the Corporation and minimum debt service reserve fund balances.

15 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt bond programs are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed to the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	June 30, 2005	June 30, 2004
Arbitrage expense	$ 4,181	$ (68)
Arbitrage paid	3,841	62

16 STATE AUTHORIZATIONS AND COMMITMENTS

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995:

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income".

A summary of State Authorizations is shown below (in thousands):

	Total State Authorizations	Payments To-Date	Total Remaining Commitments
FY 1995*	$ 22,500	$ 22,493	$ 7
FY 1996*	128,033	127,846	187
FY 1997	100,448	100,167	281
FY 1998*	131,515	130,837	678
FY 1999*	102,994	101,027	1,967
FY 2000*	105,138	98,665	6,473
FY 2001*	103,107	93,091	10,016
FY 2002	103,000	92,099	10,901
FY 2003*	103,499	89,116	14,383
FY 2004*	103,036	79,741	23,295
FY 2005	103,000	85,447	17,553
Total	$ 1,106,270	$ 1,020,529	$ 85,741

* With re-appropriations

State Capital Projects Bonding

The 1998 Legislature adopted legislation authorizing approximately $224 million in capital project bonds of the Corporation to finance projects of the State and municipalities. The legislation states the intention that the sum of withdrawals for repayment of bonds, for transfer to the State's general fund, and for corporate funded capital projects should not exceed the Corporation's net income for the preceding 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 to 2008. The Corporation views passage of the 1998 and 2000 legislation as a continuation of the plan of the legislature, stated in its legislative intent in 1995, to authorize the lesser of $103 million or the Corporation's net income annually to the year 2008.

The 2002 and 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.

As of June 30, 2005, the Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $107,710,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation.

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

Fiscal Year	Transfer Plan Amount
2005	$103,000
2006	103,000
2007	Lesser of 95% Net Income or 103,000
2008	Lesser of 85% Net Income or 103,000
2009 & Thereafter	Lesser of 75% Net Income or 103,000

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

Transfers to the State of Alaska

Since the inception of the Corporation, the State has contributed a total of $1,069,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	June 30, 2005	June 30, 2004	Cumulative Prior Fiscal Years	Total Payments To State
State debt repayment	$ -	$ -	$ 29,800	$ 29,800
Asset purchases	-	-	252,300	252,300
Dividends	-	-	114,300	114,300
Direct cash transfers	29,618	8,861	492,727	531,206
Other State appropriations	2,078	-	-	2,078
Non-Housing capital projects	22,372	24,658	209,767	256,797
Various bond's proceeds disbursed	13,220	32,617	210,660	256,497
Total	$ 67,288	$ 66,136	$1,309,554	$1,442,978

17 GRANTS

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

Program	June 30, 2005	June 30, 2004
Energy Programs:		
• Enhanced Weatherization	$ 957	$ 865
• Low-Income Weatherization Assistance	4,090	5,389
• State Energy Program	303	244
• Others	627	260
	5,977	6,758
Section 8 Vouchers and Contract Administration	26,156	24,207
Other Housing Assistance Programs:		
• Beneficiary and Special Needs Housing	1,844	-
• Drug Elimination Program	225	242
• Denali Teacher Housing	1,159	-
• Healthy Homes	284	250
• HOME Program	3,758	2,989
• Homeless Assistance Program	809	695
• Housing Loan Program	1,914	-
• Housing Opportunities for Persons with AIDS	600	491
• Section 8 Contract Administration	6,555	6,004
• Senior Citizens Housing	2,034	1,655
• Supplemental Housing	3,101	4,152
• Supportive Housing Grant Match	845	742
• Others	817	394
	23,945	17,614
Other Programs	428	61
Total Housing Grant Expenses	56,506	48,640
Other Program Funds:		
• State Match Federal Aid Airports Proj. – FY 98 Appro.	70	563
• Municipal Matching Grants – FY 99 Appro.	6,576	4,765
• University of Alaska – FY 99 Appro.	145	711
• Village Safe Water Grants Program – FY 99 Appro.	11,791	10,620
• Benefit Special Needs Housing – FY 01 Appro.	-	1,941
• Child Protection Information System – FY 01 Appro.	849	1,769
• UAF Hutchison Career Center – FY 01 Appro.	-	1,248
• AK Public Safety Info. Network Redesign – FY 02 Appro.	816	-
• Brother Francis Shelter Replacement – FY 03 Appro.	450	-
• St. Paul Harbor Improvements – FY 03 Appro.	-	459
• Law Enforcement Equipment Replacement – FY 05 Appro.	340	-
• FY 98 Legislative Appropriations – Others	151	367
• FY 99 Legislative Appropriations – Others	11	229
• FY 00 Legislative Appropriations	-	86
• FY 01 Legislative Appropriations	544	1,150
• FY 02 Legislative Appropriations	28	250
• FY 04 Legislative Appropriations	194	500
• FY 05 Legislative Appropriations	407	-
Total Non-Housing Capital Project Grants	22,372	24,658
Total Grants	$ 78,878	$ 73,298

In addition to grant payments made, the Corporation has advanced grant funds of $5,673,000 and committed to third parties a sum of $18,215,000 in grant awards at June 30, 2005.

18 OTHER PROGRAMS

Other programs include public-housing activities and energy conservation funded from a combination of corporate receipts and external sources.

Housing Assistance Programs

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

- Low Rent Management
- Modernization/Capital Fund Programs

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

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

Section 8 Program consists of Corporate owned low-income housing facilities at various locations and the Wrangell 221(d)(3) housing facility, for which the Corporation receives tenant-based rental assistance under contract with HUD, and administration of HUD contracts directly with landlords:

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

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

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

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

Energy Conservation Programs

The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska's share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy's oversight.

The weatherization programs include the following programs and are funded by a combination of DOE grants, PVE funds, and corporate funds:

- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)

Other energy programs include the following programs and are funded by a combination of DOE grants, PVE funds, HHS grants, and corporate funds:

- Adult Education
- Alaska Native Health Board Grant
- Association of Alaska Housing Authorities Grant
- Low-Income Home Energy Assistance Program (LIHEAP)
- State Energy Conservation Program and Special Projects
- Weatherization Assistance for Low-Income Persons (AKWarm Enhancement)

The following projects are or have been funded within the Petroleum Violation Escrow Program:

- Alaska Craftsman Home Program
- Business Energy Assistance
- Energy Rated Homes of Alaska
- Home Energy Loan Program
- Home Energy Rebates
- Low-Income Weatherization Enhancement
- Warm Homes for Alaskans

Housing Units Owned, Managed or Administered

The Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	997
Low Rent Conventional Housing – Senior Units	343
Section 8 New Construction Housing	59
Section 8 New Construction Housing – Senior Units	268
Other Housing Units	32
Section 8 Existing – Housing Assistance:	
Housing Choice Vouchers	4,089
Single Room Occupancy	70
	5,858

19 PENSION PLAN

As of June 30, 2005, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS is an agent multiple-employer, statewide defined benefit plan, administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

Plan Description

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. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. All service earned prior to July 1, 1986 will be calculated using the 2% multiplier. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The system also provides death and disability benefits and major medical benefits.

Funding Policy

Under State law, covered employees are required to contribute 6¾% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the rate during FY 2005 was 11.14% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and postretirement health cost shown in the following table was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 2003. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.25% per year compounded annually and (b) projected salary increases of 5.5% a year for the ten years of employment, with distinction made between amounts for inflation (3.5%), merit (1.5%), and productivity (0.5%). The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five year period. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The excess of assets over the actuarial accrued liability is amortized over a rolling 25 years which is an open amortization period. The percentage of pay method is used for amortization purposes.

Three-Year Trend Information for PERS (in thousands):

Year Ended	Annual Pension and Postretirement Health Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	$ 1,780	100.00%	$ -
June 30, 2004	$ 980	100.00%	$ -
June 30, 2003	1,027	100.00%	-

20 OTHER COMMITMENTS AND CONTINGENCIES

Medical Self Insurance

During the fiscal year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to $50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of $1,077,000 and $1,358,000 as of June 30, 2005 and June 30, 2004, respectively.

Litigation

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

Contingent Liabilities

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

21 SPECIAL ITEM

On December 1, 2004, the Corporation sold its Aurora Military Loan, with a principal balance of $47,468,000, for $51,403,000 and paid $90,000 in subsequent expenses related to the sale, resulting in a special item gain of $3,845,000.

On June 1, 2004, the Corporation called $6,110,000 of Collateralized Bonds, 1993 First Series, at a premium of $56,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of $259,000 and $316,000, respectively, totals the special item amount of $631,000 for this bond fund.

On June 1, 2004, the Corporation called $138,435,000 of Government Housing Purpose Bonds, 1994 Series A, at a premium of $1,748,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of $932,000 and $1,597,000, respectively, totals the special item amount of $4,277,000 for this bond fund.

On March 5, 2004 and April 1, 2004 the Corporation called $40,495,000 Housing Development Bonds at a premium of $1,620,000 on the early optional redemptions. The call premium and write-off of the cost of issuance of $923,000 totals the special item amount of $2,543,000 for this bond fund.

22 SUMMARIZED BALANCE SHEET

Entity-wide balance sheet information in an unclassified format is presented below for informational purposes (in thousands):

	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
ASSETS				
Cash	$ 9,769	$ 7,939	$ 21,215	$ 9,508
Investments	1,219,415	1,143,547	1,518,997	1,587,877
Accrued interest receivable	20,762	19,897	22,349	25,015
Mortgage loans, notes and other loans	3,325,182	3,355,300	3,312,511	3,373,640
Net investment in direct financing lease	32,843	34,547	36,165	37,697
Unamortized bond issuance costs	25,135	26,404	29,024	28,105
Capital assets, net	116,073	110,813	105,065	99,040
Other assets	13,754	10,033	10,185	21,272
Total Assets	$ 4,762,933	4,708,480	$ 5,055,511	$ 5,182,154
LIABILITIES AND FUND EQUITY				
Liabilities:				
Bonds and notes payable	$ 2,898,730	$ 2,890,879	$ 3,110,941	$ 3,267,553
Short term debt	138,375	70,145	149,995	108,541
Accrued interest payable	14,147	14,562	15,627	14,253
Other liabilities	28,608	26,435	41,382	25,997
Total Liabilities	3,079,860	3,002,021	3,317,945	3,416,344
Total Fund Equity	1,683,073	1,706,459	1,737,566	1,765,810
Total Liabilities and Fund Equity	$ 4,762,933	$ 4,708,480	$ 5,055,511	$ 5,182,154

23 STATEMENT OF ACTIVITY

Entity-wide revenues, expenses, and changes in net assets are presented below for informational purposes (in thousands):

	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2003	Year Ended June 30, 2002
OPERATING REVENUES				
Mortgage and loans revenue	$ 201,386	$ 206,300	$ 220,393	$ 222,446
Investment interest	43,162	46,358	57,013	71,115
Net change in the fair value of investments	(1,653)	(9,554)	9,877	111
Total Investment Revenue	41,509	36,804	66,890	71,226
Externally funded programs	57,877	56,084	53,702	46,283
Rental	6,183	6,109	6,812	7,034
Other	2,252	743	644	2,241
Total Operating Revenues	309,207	306,040	348,441	349,230
OPERATING EXPENSES				
Interest	141,161	151,165	172,939	174,582
Mortgage and loan costs	13,130	13,059	12,894	12,933
Operations and administration	35,530	36,240	35,339	32,393
Financing expenses	11,941	6,168	10,496	2,197
Provision for loan loss	(103)	(1,861)	(12,232)	2,690
Housing grants and subsidies	56,506	48,640	52,023	39,520
Rental housing operating expenses	10,985	10,149	9,905	9,255
Total Operating Expenses	269,150	263,560	281,364	273,570
Operating Income	40,057	42,480	67,077	75,660
NONOPERATING EXPENSES AND SPECIAL ITEM				
Contributions to the State of Alaska or other State agencies	(67,288)	(66,136)	(95,321)	(85,562)
Special Item	3,845	(7,451)	-	2,035
Change in Net Assets	$ (23,386)	$ (31,107)	$ (28,244)	$ (7,867)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for PERS (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	Excess or (Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
Pension:						
June 30, 2003	$ 34,407	$ 43,271	$ (8,864)	80%	$ 14,987	(59%)
June 30, 2002	30,857	40,980	(10,123)	75%	14,119	(72%)
June 30, 2001	35,962	26,272	9,690	137%	13,636	71%
Postretirement Health:						
June 30, 2003	22,997	28,921	(5,924)	80%	14,987	(40%)
June 30, 2002	18,748	24,899	(6,151)	75%	14,119	(44%)
June 30, 2001	15,227	11,124	4,103	137%	13,636	30%

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
COMBINED - ALL FUNDS
As of June 30, 2005
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
Assets					
Current					
Cash	2,463	1,284	496	2,391	986
Investments	457,064	37,150	12,951	108,827	50,547
Accrued interest receivable	3,769	3,346	1,324	9,012	3,311
Mortgage loans, notes and other loans	14,706	15,709	5,608	33,221	14,120
Net investment in direct financing lease	-	-	-	-	1,799
Other assets	935	38	-	212	216
Intergovernmental receivable	5	-	-	-	-
Total Current	478,942	57,527	20,379	153,663	70,979
Non Current					
Investments	-	12,062	14,595	361,356	131,611
Mortgage loans, notes and other loans, net of allowance	608,750	629,925	230,280	1,228,845	544,018
Net investment in direct financing lease	-	-	-	-	31,044
Unamortized bond issuance costs	-	5,895	2,465	10,714	6,061
Capital assets - non-depreciable	148	-	-	-	-
Capital assets - depreciable, net	301	-	-	-	-
Other assets	1,633	-	-	-	-
Total Non Current	610,832	647,882	247,340	1,600,915	712,734
Total Assets	1,089,774	705,409	267,719	1,754,578	783,713
Liabilities					
Current					
Bonds and notes payable	-	5,900	2,420	16,325	66,305
Short-term debt	138,375	-	-	-	-
Accrued interest payable	673	2,575	832	5,738	4,289
Other liabilities	4,999	2,640	1,008	4,915	2,069
Intergovernmental payable	-	-	-	-	2,595
Total Current	144,047	11,115	4,260	26,978	75,258
Non Current					
Bonds and notes payable	-	606,229	170,052	1,422,351	608,594
Other liabilities	816	-	-	4,311	739
Total Non Current	816	606,229	170,052	1,426,662	609,333
Total Liabilities	144,863	617,344	174,312	1,453,640	684,591
Net Assets					
Invested in capital assets, net of related debt	449	-	-	-	-
Restricted by bond resolutions	-	88,065	93,407	297,745	109,853
Restricted by contractual or statutory agreements	95,600	-	-	20,794	-
Unrestricted net assets, (deficit)	848,862	-	-	(17,601)	(10,731)
Total Net Assets (deficit)	944,911	88,065	93,407	300,938	99,122

Combined Other Programs	Combined Total
2,149	9,769
32,914	699,453
-	20,762
-	83,364
-	1,799
9,963	11,364
710	715
45,736	827,226
338	519,962
-	3,241,818
-	31,044
-	25,135
40,543	40,691
75,081	75,382
42	1,675
116,004	3,935,707
161,740	4,762,933
27	90,977
-	138,375
40	14,147
3,633	19,264
412	3,007
4,112	265,770
527	2,807,753
471	6,337
998	2,814,090
5,110	3,079,860
115,070	115,519
-	589,070
41,560	157,954
-	820,530
156,630	1,683,073

ALASKA HOUSING FINANCE CORPORATION Schedule 2

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

REVOLVING FUNDS

As of June 30, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
Assets				
Current				
Cash	2,202	261	-	2,463
Investments	447,556	9,508	-	457,064
Accrued interest receivable	3,768	1	-	3,769
Mortgage loans, notes and other loans	14,700	6	-	14,706
Other assets	935	-	-	935
Intergovernmental receivable	5	-	-	5
Total Current	469,166	9,776	-	478,942
Non Current				
Mortgage loans, notes and other loans, net of allowance	608,626	124	-	608,750
Capital assets - non-depreciable	148	-	-	148
Capital assets - depreciable, net	301	-	-	301
Other assets	1,633	-	-	1,633
Total Non Current	610,708	124	-	610,832
Total Assets	1,079,874	9,900	-	1,089,774
Liabilities				
Current				
Short-term debt	138,375	-	-	138,375
Accrued interest payable	673	-	-	673
Other liabilities	4,958	41	-	4,999
Total Current	144,006	41	-	144,047
Non Current				
Other liabilities	816	-	-	816
Total Non Current	816	-	-	816
Total Liabilities	144,822	41	-	144,863
Net Assets				
Invested in capital assets, net of related debt	449	-	-	449
Restricted by contractual or statutory agreements	85,741	9,859	-	95,600
Unrestricted net assets, (deficit)	848,862	-	-	848,862
Total Net Assets (deficit)	935,052	9,859	-	944,911

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
FIRST TIME HOMEBUYER BONDS
As of June 30, 2005
(in thousands of dollars)

	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D
Assets					
Current					
Cash	-	151	56	275	136
Investments	-	4,503	2,360	9,766	5,472
Accrued interest receivable	-	418	210	808	408
Mortgage loans, notes and other loans	-	1,971	1,006	3,684	3,228
Other assets	-	-	-	-	-
Total Current	-	7,043	3,632	14,533	9,244
Non Current					
Investments	-	3,421	901	-	419
Mortgage loans, notes and other loans, net of allowance	-	76,589	38,960	140,869	76,050
Unamortized bond issuance costs	-	944	578	1,284	1,183
Total Non Current	-	80,954	40,439	142,153	77,652
Total Assets	-	87,997	44,071	156,686	86,896
Liabilities					
Current					
Bonds and notes payable	-	1,735	430	2,535	480
Accrued interest payable	-	218	158	657	404
Other liabilities	-	314	119	578	274
Total Current	-	2,267	707	3,770	1,158
Non Current					
Bonds and notes payable	-	63,876	36,335	130,420	80,504
Total Non Current	-	63,876	36,335	130,420	80,504
Total Liabilities	-	66,143	37,042	134,190	81,662
Net Assets					
Restricted by bond resolutions	-	21,854	7,029	22,496	5,234
Total Net Assets (deficit)	-	21,854	7,029	22,496	5,234

Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A, B	Combined Total
232	434	1,284
6,032	9,017	37,150
510	992	3,346
2,154	3,666	15,709
-	38	38
8,928	14,147	57,527
1,968	5,353	12,062
96,655	200,802	629,925
999	907	5,895
99,622	207,062	647,882
108,550	221,209	705,409
720	-	5,900
438	700	2,575
466	889	2,640
1,624	1,589	11,115
100,839	194,255	606,229
100,839	194,255	606,229
102,463	195,844	617,344
6,087	25,365	88,065
6,087	25,365	88,065

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED
As of June 30, 2005
(in thousands of dollars)

	Collateralized Bonds 1994 First Series	Collateralized Bonds 1995 First Series	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series
Assets					
Current					
Cash	-	-	118	104	125
Investments	-	-	1,471	1,922	4,563
Accrued interest receivable	-	-	269	188	419
Mortgage loans, notes and other loans	-	-	1,246	843	1,752
Other assets	-	-	-	-	-
Total Current	-	-	3,104	3,057	6,859
Non Current					
Investments	-	-	4,160	2,477	3,910
Mortgage loans, notes and other loans, net of allowance	-	-	49,809	34,152	69,599
Unamortized bond issuance costs	-	-	551	339	857
Total Non Current	-	-	54,520	36,968	74,366
Total Assets	-	-	57,624	40,025	81,225
Liabilities					
Current					
Bonds and notes payable	-	-	200	385	830
Accrued interest payable	-	-	93	121	297
Other liabilities	-	-	233	209	263
Total Current	-	-	526	715	1,390
Non Current					
Bonds and notes payable	-	-	19,920	26,742	58,280
Total Non Current	-	-	19,920	26,742	58,280
Total Liabilities	-	-	20,446	27,457	59,670
Net Assets					
Restricted by bond resolutions	-	-	37,178	12,568	21,555
Total Net Assets (deficit)	-	-	37,178	12,568	21,555

Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
65	84	496
2,636	2,359	12,951
248	200	1,324
1,040	727	5,608
-	-	-
3,989	3,370	20,379
2,088	1,960	14,595
39,370	37,350	230,280
479	239	2,465
41,937	39,549	247,340
45,926	42,919	267,719
490	515	2,420
172	149	832
135	168	1,008
797	832	4,260
32,655	32,455	170,052
32,655	32,455	170,052
33,452	33,287	174,312
12,474	9,632	93,407
12,474	9,632	93,407

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of June 30, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Assets					
Current					
Cash	-	344	588	649	244
Investments	20,793	25,727	19,880	16,524	7,151
Accrued interest receivable	1	3,300	1,552	1,416	603
Mortgage loans, notes and other loans	-	5,631	5,552	8,735	2,394
Other assets	-	97	57	18	-
Total Current	20,794	35,099	27,629	27,342	10,392
Non Current					
Investments	-	122,551	70,580	49,641	1,655
Mortgage loans, notes and other loans, net of allowance	-	246,166	230,704	304,139	140,071
Unamortized bond issuance costs	-	3,889	2,028	1,773	1,253
Total Non Current	-	372,606	303,312	355,553	142,979
Total Assets	20,794	407,705	330,941	382,895	153,371
Liabilities					
Current					
Bonds and notes payable	-	6,095	2,775	1,700	-
Accrued interest payable	-	1,592	1,285	1,231	596
Other liabilities	-	693	1,192	1,342	508
Total Current	-	8,380	5,252	4,273	1,104
Non Current					
Bonds and notes payable	-	416,926	274,457	244,677	149,311
Other liabilities	-	-	4,311	-	-
Total Non Current	-	416,926	278,768	244,677	149,311
Total Liabilities	-	425,306	284,020	248,950	150,415
Net Assets					
Restricted by bond resolutions	-	-	46,921	133,945	2,956
Restricted by contractual or statutory agreements	20,794	-	-	-	-
Unrestricted net assets, (deficit)	-	(17,601)	-	-	-
Total Net Assets (deficit)	20,794	(17,601)	46,921	133,945	2,956

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
-	-	566	2,391
-	721	18,031	108,827
-	251	1,889	9,012
-	1,156	9,753	33,221
-	-	40	212
-	2,128	30,279	153,663
-	686	116,243	361,356
-	25,458	282,307	1,228,845
-	225	1,546	10,714
-	26,369	400,096	1,600,915
-	28,497	430,375	1,754,578
-	-	5,755	16,325
-	52	982	5,738
-	-	1,180	4,915
-	52	7,917	26,978
-	26,700	310,280	1,422,351
-	-	-	4,311
-	26,700	310,280	1,426,662
-	26,752	318,197	1,453,640
-	1,745	112,178	297,745
-	-	-	20,794
-	-	-	(17,601)
-	1,745	112,178	300,938

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
NON HOUSING BONDS
As of June 30, 2005
(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Projects Bonds 2002 A,B,C	State Building Lease Bonds 1999
Assets					
Current					
Cash	33	19	69	69	-
Investments	662	5,660	4,875	8,029	2,600
Accrued interest receivable	78	87	224	630	-
Mortgage loans, notes and other loans	775	211	1,144	843	-
Net investment in direct financing lease	-	-	-	-	1,799
Other assets	-	-	28	132	-
Total Current	1,548	5,977	6,340	9,703	4,399
Non Current					
Investments	-	-	-	50,886	-
Mortgage loans, notes and other loans, net of allowance	11,578	7,086	39,256	35,914	-
Net investment in direct financing lease	-	-	-	-	31,044
Unamortized bond issuance costs	493	540	459	713	186
Total Non Current	12,071	7,626	39,715	87,513	31,230
Total Assets	13,619	13,603	46,055	97,216	35,629
Liabilities					
Current					
Bonds and notes payable	7,665	13,185	26,690	3,335	1,895
Accrued interest payable	32	59	187	2,153	181
Other liabilities	68	38	148	148	-
Intergovernmental payable	-	-	-	-	2,595
Total Current	7,765	13,282	27,025	5,636	4,671
Non Current					
Bonds and notes payable	859	805	20,802	99,286	12,196
Other liabilities	-	-	400	-	339
Total Non Current	859	805	21,202	99,286	12,535
Total Liabilities	8,624	14,087	48,227	104,922	17,206
Net Assets					
Restricted by bond resolutions	4,995	-	-	-	18,423
Unrestricted net assets, (deficit)	-	(484)	(2,172)	(7,706)	-
Total Net Assets (deficit)	4,995	(484)	(2,172)	(7,706)	18,423

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
22	251	181	342	986
6,070	9,142	7,618	5,891	50,547
119	570	981	622	3,311
389	3,675	2,924	4,159	14,120
-	-	-	-	1,799
-	30	-	26	216
6,600	13,668	11,704	11,040	70,979
3,546	13,934	57,971	5,274	131,611
13,460	125,020	146,860	164,844	544,018
-	-	-	-	31,044
434	723	1,208	1,305	6,061
17,440	139,677	206,039	171,423	712,734
24,040	153,345	217,743	182,463	783,713
4,635	5,165	495	3,240	66,305
120	301	593	663	4,289
46	528	404	689	2,069
-	-	-	-	2,595
4,801	5,994	1,492	4,592	75,258
18,705	147,720	148,854	159,367	608,594
-	-	-	-	739
18,705	147,720	148,854	159,367	609,333
23,506	153,714	150,346	163,959	684,591
534	-	67,397	18,504	109,853
-	(369)	-	-	(10,731)
534	(369)	67,397	18,504	99,122

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
OTHER PROGRAM FUNDS
As of June 30, 2005
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Assets				
Current				
Cash	-	599	524	924
Investments	1,428	11,542	19,573	-
Accrued interest receivable	-	-	-	-
Other assets	981	927	14	64
Intergovernmental receivable	339	-	-	-
Total Current	2,748	13,068	20,111	988
Non Current				
Investments	-	-	-	-
Capital assets - non-depreciable	-	32,796	7,747	-
Capital assets - depreciable, net	-	63,209	11,821	40
Other assets	-	31	5	6
Total Non Current	-	96,036	19,573	46
Total Assets	2,748	109,104	39,684	1,034
Liabilities				
Current				
Bonds and notes payable	-	-	27	-
Accrued interest payable	-	-	40	-
Other liabilities	19	2,446	505	368
Intergovernmental payable	-	-	-	-
Total Current	19	2,446	572	368
Non Current				
Bonds and notes payable	-	-	527	-
Other liabilities	7	291	73	82
Total Non Current	7	291	600	82
Total Liabilities	26	2,737	1,172	450
Net Assets				
Invested in capital assets, net of related debt	-	96,005	19,014	40
Restricted by contractual or statutory agreements	2,722	10,362	19,498	544
Total Net Assets (deficit)	2,722	106,367	38,512	584

Other Programs	Combined Total
102	2,149
371	32,914
-	-
7,977	9,963
371	710
8,821	45,736
338	338
-	40,543
11	75,081
-	42
349	116,004
9,170	161,740
-	27
-	40
295	3,633
412	412
707	4,112
-	527
18	471
18	998
725	5,110
11	115,070
8,434	41,560
8,445	156,630

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

COMBINED - ALL FUNDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
Operating Revenues					
Mortgage and loans revenue	41,844	41,405	18,425	85,724	13,988
Investment interest	9,629	2,741	1,545	22,389	6,387
Net change in the fair value of investments	(1,319)	9	3	230	(828)
Total Investment Revenue	8,310	2,750	1,548	22,619	5,559
Externally funded programs	-	-	-	-	-
Rental	-	-	-	-	-
Other	650	39	-	42	20
Total Operating Revenues	50,804	44,194	19,973	108,385	19,567
Operating Expenses					
Interest	1,959	34,043	12,165	76,627	16,360
Mortgage and loan costs	3,087	2,683	1,151	4,864	1,345
Operations and administration	2,684	2,691	975	5,137	2,423
Financing expenses	1,138	1,851	1,123	2,344	5,485
Provision for loan loss	(1,161)	1,214	(879)	(7,068)	7,791
Housing grants and subsidies expenses	422	-	-	-	-
Rental housing operating expenses	2	-	-	-	-
Total Operating Expenses	8,131	42,482	14,535	81,904	33,404
Operating Income (Loss)	42,673	1,712	5,438	26,481	(13,837)
Nonoperating Expense					
Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	(31,840)	-	-	(2,552)	(10,669)
Special items	3,845	-	-	-	-
Transfers - Internal	(277,943)	(33,734)	(26,562)	(129,131)	411,129
Change in Net Assets	(263,265)	(32,022)	(21,124)	(105,202)	386,623
Net Assets at beginning of year	1,208,176	120,087	114,531	406,140	(287,501)
Net Assets at End of Period	944,911	88,065	93,407	300,938	99,122

Combined Other Programs	Combined Total
-	201,386
471	43,162
252	(1,653)
723	41,509
57,877	57,877
6,183	6,183
1,501	2,252
66,284	309,207
7	141,161
-	13,130
21,620	35,530
-	11,941
-	(103)
56,084	56,506
10,983	10,985
88,694	269,150
(22,410)	40,057
(22,227)	(67,288)
-	3,845
56,241	-
11,604	(23,386)
145,026	1,706,459
156,630	1,683,073

ALASKA HOUSING FINANCE CORPORATION **Schedule 9**

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

REVOLVING FUNDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
Operating Revenues				
Mortgage and loans revenue	41,281	16	547	41,844
Investment interest	9,505	109	15	9,629
Net change in the fair value of investments	(1,409)	96	(6)	(1,319)
Total Investment Revenue	8,096	205	9	8,310
Other	650	-	-	650
Total Operating Revenues	50,027	221	556	50,804
Operating Expenses				
Interest	1,959	-	-	1,959
Mortgage and loan costs	3,039	1	47	3,087
Operations and administration	2,683	1	-	2,684
Financing expenses	1,149	(11)	-	1,138
Provision for loan loss	(1,161)	-	-	(1,161)
Housing grants and subsidies expenses	422	-	-	422
Rental housing operating expenses	2	-	-	2
Total Operating Expenses	8,093	(9)	47	8,131
Operating Income (Loss)	41,934	230	509	42,673
Nonoperating Expense Special Items & Transfers				
Contributions to the State of Alaska or other State agencies	(31,840)	-	-	(31,840)
Special items	3,845	-	-	3,845
Transfers - Internal	264,549	1	(542,493)	(277,943)
Change in Net Assets	278,488	231	(541,984)	(263,265)
Net Assets at beginning of year	656,564	9,628	541,984	1,208,176
Net Assets at End of Period	935,052	9,859	-	944,911

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FIRST TIME HOMEBUYER BONDS
For the Year Ended June 30, 2005
(in thousands of dollars)

	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D
Operating Revenues					
Mortgage and loans revenue	2,105	5,055	2,457	9,333	4,735
Investment interest	389	570	199	741	292
Net change in the fair value of investments	(1)	1	-	3	-
Total Investment Revenue	388	571	199	744	292
Other	3	-	-	9	-
Total Operating Revenues	2,496	5,626	2,656	10,086	5,027
Operating Expenses					
Interest	981	4,022	1,981	8,214	5,168
Mortgage and loan costs	139	323	167	641	294
Operations and administration	-	326	165	602	329
Financing expenses	1,083	71	40	58	78
Provision for loan loss	(522)	487	173	556	(371)
Total Operating Expenses	1,681	5,229	2,526	10,071	5,498
Operating Income (Loss)	815	397	130	15	(471)
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	(29,085)	180	229	(362)	311
Change in Net Assets	(28,270)	577	359	(347)	(160)
Net Assets at beginning of year	28,270	21,277	6,670	22,843	5,394
Net Assets at End of Period	-	21,854	7,029	22,496	5,234

Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B	Combined Total
6,131	11,589	41,405
218	332	2,741
1	5	9
219	337	2,750
10	17	39
6,360	11,943	44,194
5,382	8,295	34,043
402	717	2,683
414	855	2,691
53	468	1,851
418	473	1,214
6,669	10,808	42,482
(309)	1,135	1,712
506	(5,513)	(33,734)
197	(4,378)	(32,022)
5,890	29,743	120,087
6,087	25,365	88,065

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2005

(in thousands of dollars)

	Collateralized Bonds 1994 First Series	Collateralized Bonds 1995 First Series	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series
Operating Revenues					
Mortgage and loans revenue	1,689	282	3,219	2,258	5,333
Investment interest	300	46	293	245	331
Net change in the fair value of investments	(1)	-	1	1	1
Total Investment Revenue	299	46	294	246	332
Total Operating Revenues	1,988	328	3,513	2,504	5,665
Operating Expenses					
Interest	1,153	81	1,333	1,582	3,872
Mortgage and loan costs	95	16	199	143	347
Operations and administration	-	-	211	144	295
Financing expenses	787	161	61	20	55
Provision for loan loss	(432)	(45)	87	13	(211)
Total Operating Expenses	1,603	213	1,891	1,902	4,358
Operating Income (Loss)	385	115	1,622	602	1,307
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	(14,628)	(4,576)	(1,656)	(895)	(2,857)
Change in Net Assets	(14,243)	(4,461)	(34)	(293)	(1,550)
Net Assets at beginning of year	14,243	4,461	37,212	12,861	23,105
Net Assets at End of Period	-	-	37,178	12,568	21,555

Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
3,122	2,522	18,425
244	86	1,545
-	1	3
244	87	1,548
3,366	2,609	19,973
2,273	1,871	12,165
194	157	1,151
167	158	975
30	9	1,123
(205)	(86)	(879)
2,459	2,109	14,535
907	500	5,438
(2,111)	161	(26,562)
(1,204)	661	(21,124)
13,678	8,971	114,531
12,474	9,632	93,407

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OTHER HOUSING BONDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Operating Revenues					
Mortgage and loans revenue	-	20,540	15,537	16,465	7,675
Investment interest	244	3,095	5,641	1,702	252
Net change in the fair value of investments	215	4	2	9	1
Total Investment Revenue	459	3,099	5,643	1,711	253
Other	-	-	5	22	-
Total Operating Revenues	459	23,639	21,185	18,198	7,928
Operating Expenses					
Interest	-	16,205	18,791	15,036	7,176
Mortgage and loan costs	-	557	1,039	1,049	552
Operations and administration	-	1,129	976	1,129	588
Financing expenses	-	611	(208)	153	48
Provision for loan loss	-	(2,944)	(1,196)	(1,772)	292
Total Operating Expenses	-	15,558	19,402	15,595	8,656
Operating Income (Loss)	459	8,081	1,783	2,603	(728)
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	-	(2,552)	-	-	-
Transfers - Internal	-	24,858	(29,406)	5,314	687
Change in Net Assets	459	30,387	(27,623)	7,917	(41)
Net Assets at beginning of year	20,335	(47,988)	74,544	126,028	2,997
Net Assets at End of Period	20,794	(17,601)	46,921	133,945	2,956

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
6,796	603	18,108	85,724
5,831	39	5,585	22,389
(7)	-	6	230
5,824	39	5,591	22,619
9	-	6	42
12,629	642	23,705	108,385
8,315	516	10,588	76,627
405	-	1,262	4,864
-	108	1,207	5,137
179	33	1,528	2,344
(1,373)	-	(75)	(7,068)
7,526	657	14,510	81,904
5,103	(15)	9,195	26,481
-	-	-	(2,552)
(133,685)	139	2,962	(129,131)
(128,582)	124	12,157	(105,202)
128,582	1,621	100,021	406,140
-	1,745	112,178	300,938

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NON HOUSING BONDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Operating Revenues					
Mortgage and loans revenue	706	401	1,713	1,656	-
Investment interest	20	367	282	2,237	1,845
Net change in the fair value of investments	1	(115)	(78)	(600)	4
Total Investment Revenue	21	252	204	1,637	1,849
Other	-	-	-	8	-
Total Operating Revenues	727	653	1,917	3,301	1,849
Operating Expenses					
Interest	497	1,226	2,321	4,073	1,480
Mortgage and loan costs	47	28	241	138	-
Operations and administration	51	30	166	152	124
Financing expenses	95	3,924	430	273	28
Provision for loan loss	262	165	448	519	-
Total Operating Expenses	952	5,373	3,606	5,155	1,632
Operating Income (Loss)	(225)	(4,720)	(1,689)	(1,854)	217
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	-	-	(4,623)	(36)	-
Transfers - Internal	28,409	23,853	51,970	24,072	16,307
Change in Net Assets	28,184	19,133	45,658	22,182	16,524
Net Assets at beginning of year	(23,189)	(19,617)	(47,830)	(29,888)	1,899
Net Assets at End of Period	4,995	(484)	(2,172)	(7,706)	18,423

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
668	5,111	3,207	526	13,988
544	362	725	5	6,387
1	(23)	(25)	7	(828)
545	339	700	12	5,559
-	12	-	-	20
1,213	5,462	3,907	538	19,567
1,542	2,902	2,393	(74)	16,360
54	489	317	31	1,345
58	531	617	694	2,423
29	548	92	66	5,485
172	1,902	2,356	1,967	7,791
1,855	6,372	5,775	2,684	33,404
(642)	(910)	(1,868)	(2,146)	(13,837)
-	(3,354)	(2,656)	-	(10,669)
21,752	152,195	71,921	20,650	411,129
21,110	147,931	67,397	18,504	386,623
(20,576)	(148,300)	-	-	(287,501)
534	(369)	67,397	18,504	99,122

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OTHER PROGRAM FUNDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Operating Revenues				
Investment interest	21	165	275	1
Net change in the fair value of investments	10	88	149	-
Total Investment Revenue	31	253	424	1
Externally funded programs	2,697	10,006	2,268	29,194
Rental	-	4,917	1,256	-
Other	-	1,228	-	-
Total Operating Revenues	2,728	16,404	3,948	29,195
Operating Expenses				
Interest	-	-	7	-
Operations and administration	239	13,988	3,200	3,312
Housing grants and subsidies expenses	5,977	-	6	26,156
Rental housing operating expenses	-	9,270	1,582	91
Total Operating Expenses	6,216	23,258	4,795	29,559
Operating Income (Loss)	(3,488)	(6,854)	(847)	(364)
Nonoperating Expense Special Items & Transfers				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	3,287	12,115	2,181	(304)
Change in Net Assets	(201)	5,261	1,334	(668)
Net Assets at beginning of year	2,923	101,106	37,178	1,252
Net Assets at End of Period	2,722	106,367	38,512	584

Schedule 14

Other Programs	Combined Total
9	471
5	252
14	723
13,712	57,877
10	6,183
273	1,501
14,009	66,284
-	7
881	21,620
23,945	56,084
40	10,983
24,866	88,694
(10,857)	(22,410)
(22,227)	(22,227)
38,962	56,241
5,878	11,604
2,567	145,026
8,445	156,630

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, 2005
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
Cash flows from operating activities:					
Interest income on mortgages and loans	38,814	42,682	18,700	87,380	14,353
Principal payments received on mortgages and loans	56,455	140,138	58,901	261,149	25,602
Purchases of mortgages and loans	(567,521)	-	-	-	-
Receipt (payment) for loan transfers between funds	357,672	(145,720)	(18,792)	(193,160)	-
Payments to employees and other payroll disbursements	(25,535)	-	-	-	-
Payments for goods and services	(49,381)	-	-	(102)	(37)
Cash received for externally funded programs	237	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-	-
Other operating cash receipts	55,210	39	-	41	1,108
Other operating cash payments	(6,409)	-	-	-	(601)
Net cash provided by (used for) operating activities	(140,458)	37,139	58,809	155,308	40,425
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	-	-	105,000	300,993
Principal paid on bonds	-	(53,036)	(46,125)	(80,745)	(60,460)
Payment to defease bonds	-	-	-	-	(173,820)
Payment of bond issuance costs	(1,509)	-	-	-	(2,009)
Interest paid	(1,668)	(37,778)	(12,382)	(75,319)	(15,939)
Proceeds from issuance of short term debt	828,416	-	-	-	-
Payment of short term debt	(760,477)	-	-	-	-
Contributions to the State of Alaska or other State agencies	(52,606)	-	-	(2,553)	(10,669)
Transfers (to) from other funds	223,701	(1,240)	2,003	(138,184)	(56,628)
Other cash payments	-	-	(130)	-	-
Net cash provided by (used for) noncapital financing activities	235,857	(92,054)	(56,634)	(191,801)	(18,532)
Cash flows from capital financing activities:					
Acquisition of capital assets	(11,055)	-	-	-	-
Proceeds from the disposal of capital assets	255	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-	24,000
Principal paid on capital notes	(26)	-	-	-	(1,080)
Payment of bond issuance costs	(34)	-	-	-	(166)
Interest paid on capital notes	(2)	-	-	-	(1,031)
Net cash provided by (used for) capital financing activities	(10,862)	-	-	-	21,723
Cash flows from investing activities:					
Purchase of investments	(4,556,883)	(501,694)	(239,848)	(1,789,264)	(586,593)
Proceeds from maturity of investments	4,463,505	554,068	236,033	1,805,215	539,536
Interest received from investments	9,460	2,883	1,604	21,210	4,427
Net cash provided by (used for) investing activities	(83,918)	55,257	(2,211)	37,161	(42,630)
Net increase (decrease) in cash	619	342	(36)	668	986
Cash at the beginning of year	1,844	942	532	1,723	-
Cash at the end of period	2,463	1,284	496	2,391	986
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	42,673	1,712	5,438	26,481	(13,837)
Adjustments:					
Depreciation expense	96	-	-	-	-
Provision for loan losses	(1,161)	1,214	(879)	(7,068)	7,791
Amortization of bond issuance costs	-	1,018	976	408	323
Net change in the fair value of investments	1,319	(9)	(3)	(230)	828
Transfers between funds for operating activity	(104,913)	2,869	1,140	5,754	6,696
Interest received from investments	(9,460)	(2,883)	(1,604)	(21,210)	(4,427)
Interest paid	1,670	37,778	12,382	75,319	16,970
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	(105,926)	(5,582)	40,109	67,989	25,602
Net increase (decrease) in assets and liabilities	35,244	1,022	1,250	7,865	479
Net cash provided by (used for) operating activities	(140,458)	37,139	58,809	155,308	40,425

Combined Other Programs	Combined Total
-	201,929
-	542,245
-	(567,521)
-	-
-	(25,535)
-	(49,520)
22,374	22,611
32,908	32,908
(32,916)	(32,916)
6,563	62,961
(2)	(7,012)
28,927	180,150
-	405,993
-	(240,366)
-	(173,820)
-	(3,518)
-	(143,086)
-	828,416
-	(760,477)
-	(65,828)
(29,652)	-
-	(130)
(29,652)	(152,816)
-	(11,055)
484	739
-	24,000
-	(1,106)
-	(200)
-	(1,033)
484	11,345
(77,711)	(7,751,993)
76,721	7,675,078
482	40,066
(508)	(36,849)
(749)	1,830
2,898	7,939
2,149	9,769
(22,410)	40,057
4,976	5,072
-	(103)
-	2,725
(252)	1,653
88,454	-
(482)	(40,066)
-	144,119
-	22,192
(41,359)	4,501
28,927	180,150

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
REVOLVING FUNDS
For the Year Ended June 30, 2005
(in thousands of dollars)

Schedule 16

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
Cash flows from operating activities:				
Interest income on mortgages and loans	38,769	19	26	38,814
Principal payments received on mortgages and loans	48,315	71	8,069	56,455
Purchases of mortgages and loans	(567,521)	-	-	(567,521)
Receipt (payment) for loan transfers between funds	357,672	-	-	357,672
Payments to employees and other payroll disbursements	(25,535)	-	-	(25,535)
Payments for goods and services	(49,377)	(4)	-	(49,381)
Cash received for externally funded programs	237	-	-	237
Other operating cash receipts	55,184	26	-	55,210
Other operating cash payments	(6,399)	(10)	-	(6,409)
Net cash provided by (used for) operating activities	(148,655)	102	8,095	(140,458)
Cash flows from noncapital financing activities:				
Payment of bond issuance costs	(1,509)	-	-	(1,509)
Interest paid	(1,668)	-	-	(1,668)
Proceeds from issuance of short term debt	828,416	-	-	828,416
Payment of short term debt	(760,477)	-	-	(760,477)
Contributions to the State of Alaska or other State agencies	(52,606)	-	-	(52,606)
Transfers (to) from other funds	232,748	-	(9,047)	223,701
Net cash provided by (used for) noncapital financing activities	244,904	-	(9,047)	235,857
Cash flows from capital financing activities:				
Acquisition of capital assets	(11,055)	-	-	(11,055)
Proceeds from the disposal of capital assets	255	-	-	255
Principal paid on capital notes	(26)	-	-	(26)
Payment of bond issuance costs	(34)	-	-	(34)
Interest paid on capital notes	(2)	-	-	(2)
Net cash provided by (used for) capital financing activities	(10,862)	-	-	(10,862)
Cash flows from investing activities:				
Purchase of investments	(4,520,876)	(35,951)	(56)	(4,556,883)
Proceeds from maturity of investments	4,427,212	35,765	528	4,463,505
Interest received from investments	9,336	108	16	9,460
Net cash provided by (used for) investing activities	(84,328)	(78)	488	(83,918)
Net increase (decrease) in cash	1,059	24	(464)	619
Cash at the beginning of year	1,143	237	464	1,844
Cash at the end of period	2,202	261	-	2,463
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	41,934	230	509	42,673
Adjustments:				
Depreciation expense	96	-	-	96
Provision for loan losses	(1,161)	-	-	(1,161)
Net change in the fair value of investments	1,409	(96)	6	1,319
Transfers between funds for operating activity	(104,910)	1	(4)	(104,913)
Interest received from investments	(9,336)	(108)	(16)	(9,460)
Interest paid	1,670	-	-	1,670
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	(114,066)	71	8,069	(105,926)
Net increase (decrease) in assets and liabilities	35,709	4	(469)	35,244
Net cash provided by (used for) operating activities	(148,655)	102	8,095	(140,458)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
FIRST TIME HOMEBUYER BONDS
For the Year Ended June 30, 2005
(in thousands of dollars)

	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D
Cash flows from operating activities:					
Interest income on mortgages and loans	2,084	5,206	2,530	9,642	4,916
Principal payments received on mortgages and loans	9,309	16,602	7,430	29,985	19,448
Receipt (payment) for loan transfers between funds	(562)	(18,469)	(8,564)	(32,966)	(24,185)
Other operating cash receipts	3	-	-	9	-
Net cash provided by (used for) operating activities	10,834	3,339	1,396	6,670	179
Cash flows from noncapital financing activities:					
Principal paid on bonds	(17,226)	(11,220)	(2,915)	(10,375)	(6,830)
Interest paid	(5,648)	(3,025)	(1,993)	(8,259)	(5,181)
Transfers (to) from other funds	4,771	440	241	(136)	260
Net cash provided by (used for) noncapital financing activities	(18,103)	(13,805)	(4,667)	(18,770)	(11,751)
Cash flows from investing activities:					
Purchase of investments	(30,776)	(50,724)	(23,623)	(84,974)	(59,925)
Proceeds from maturity of investments	37,534	60,597	26,676	96,362	71,226
Interest received from investments	417	615	213	796	296
Net cash provided by (used for) investing activities	7,175	10,488	3,266	12,184	11,597
Net increase (decrease) in cash	(94)	22	(5)	84	25
Cash at the beginning of year	94	129	61	191	111
Cash at the end of period	-	151	56	275	136
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	815	397	130	15	(471)
Adjustments:					
Provision for loan losses	(522)	487	173	556	(371)
Amortization of bond issuance costs	741	60	38	50	71
Net change in the fair value of investments	1	(1)	-	(3)	-
Transfers between funds for operating activity	9	335	170	621	337
Interest received from investments	(417)	(615)	(213)	(796)	(296)
Interest paid	5,648	3,025	1,993	8,259	5,181
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	8,747	(1,667)	(1,134)	(2,981)	(4,737)
Net increase (decrease) in assets and liabilities	(4,188)	1,518	239	949	465
Net cash provided by (used for) operating activities	10,834	3,339	1,396	6,670	179

Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B	Combined Total
6,344	11,960	42,682
19,578	37,786	140,138
(24,740)	(36,234)	(145,720)
10	17	39
1,192	13,529	37,139
(4,470)	-	(53,036)
(5,405)	(8,267)	(37,778)
(22)	(6,794)	(1,240)
(9,897)	(15,061)	(92,054)
(78,940)	(172,732)	(501,694)
87,547	174,126	554,068
216	330	2,883
8,823	1,724	55,257
118	192	342
114	242	942
232	434	1,284
(309)	1,135	1,712
418	473	1,214
41	17	1,018
(1)	(5)	(9)
432	965	2,869
(216)	(330)	(2,883)
5,405	8,267	37,778
(5,162)	1,552	(5,582)
584	1,455	1,022
1,192	13,529	37,139

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED
For the Year Ended June 30, 2005
(in thousands of dollars)

	Collateralized Bonds 1994 First Series	Collateralized Bonds 1995 First Series	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series
Cash flows from operating activities:					
Interest income on mortgages and loans	1,655	273	3,310	2,329	5,423
Principal payments received on mortgages and loans	8,551	1,170	11,357	7,223	14,612
Receipt (payment) for loan transfers between funds	-	-	(8,275)	(5,865)	(637)
Net cash provided by (used for) operating activities	10,206	1,443	6,392	3,687	19,398
Cash flows from noncapital financing activities:					
Principal paid on bonds	(22,705)	(1,900)	(4,305)	(2,545)	(7,145)
Interest paid	(1,277)	(79)	(1,353)	(1,584)	(3,908)
Transfers (to) from other funds	9,006	(83)	(1,539)	(1,101)	(3,165)
Other cash payments	(126)	(4)	-	-	-
Net cash provided by (used for) noncapital financing activities	(15,102)	(2,066)	(7,197)	(5,230)	(14,218)
Cash flows from investing activities:					
Purchase of investments	(31,545)	(4,105)	(51,013)	(26,431)	(51,571)
Proceeds from maturity of investments	36,052	4,661	51,530	27,760	46,095
Interest received from investments	314	49	295	250	335
Net cash provided by (used for) investing activities	4,821	605	812	1,579	(5,141)
Net increase (decrease) in cash	(75)	(18)	7	36	39
Cash at the beginning of year	75	18	111	68	86
Cash at the end of period	-	-	118	104	125
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	385	115	1,622	602	1,307
Adjustments:					
Provision for loan losses	(432)	(45)	87	13	(211)
Amortization of bond issuance costs	658	156	60	17	50
Net change in the fair value of investments	1	-	(1)	(1)	(1)
Transfers between funds for operating activity	129	5	216	150	305
Interest received from investments	(314)	(49)	(295)	(250)	(335)
Interest paid	1,277	79	1,353	1,584	3,908
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	8,551	1,170	3,082	1,358	13,975
Net increase (decrease) in assets and liabilities	(49)	12	268	214	400
Net cash provided by (used for) operating activities	10,206	1,443	6,392	3,687	19,398

Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
3,156	2,554	18,700
9,015	6,973	58,901
(440)	(3,575)	(18,792)
11,731	5,952	58,809
(5,560)	(1,965)	(46,125)
(2,302)	(1,879)	(12,382)
(1,080)	(35)	2,003
-	-	(130)
(8,942)	(3,879)	(56,634)
(28,755)	(46,428)	(239,848)
25,665	44,270	236,033
279	82	1,604
(2,811)	(2,076)	(2,211)
(22)	(3)	(36)
87	87	532
65	84	496
907	500	5,438
(205)	(86)	(879)
28	7	976
-	(1)	(3)
173	162	1,140
(279)	(82)	(1,604)
2,302	1,879	12,382
8,575	3,398	40,109
230	175	1,250
11,731	5,952	58,809

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, 2005
(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Cash flows from operating activities:					
Interest income on mortgages and loans	-	20,799	15,822	16,927	7,808
Principal payments received on mortgages and loans	-	51,422	46,440	57,056	21,789
Receipt (payment) for loan transfers between funds	-	(26,507)	-	(44,894)	(28,823)
Payments for goods and services	-	(102)	-	-	-
Other operating cash receipts	-	-	4	22	-
Net cash provided by (used for) operating activities	-	45,612	62,266	29,111	774
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	105,000	-	-	-
Principal paid on bonds	-	(24,355)	(45,145)	(1,660)	-
Interest paid	-	(15,603)	(18,014)	(14,849)	(7,152)
Contributions to the State of Alaska or other State agencies	-	(2,553)	-	-	-
Transfers (to) from other funds	-	5,566	(30,500)	-	-
Net cash provided by (used for) noncapital financing activities	-	68,055	(93,659)	(16,509)	(7,152)
Cash flows from investing activities:					
Purchase of investments	(81,326)	(456,572)	(225,764)	(332,597)	(144,405)
Proceeds from maturity of investments	81,082	341,572	251,775	318,692	150,553
Interest received from investments	244	1,439	5,627	1,636	247
Net cash provided by (used for) investing activities	-	(113,561)	31,638	(12,269)	6,395
Net increase (decrease) in cash	-	106	245	333	17
Cash at the beginning of year	-	238	343	316	227
Cash at the end of period	-	344	588	649	244
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	459	8,081	1,783	2,603	(728)
Adjustments:					
Provision for loan losses	-	(2,944)	(1,196)	(1,772)	292
Amortization of bond issuance costs	-	131	56	52	44
Net change in the fair value of investments	(215)	(4)	(2)	(9)	(1)
Transfers between funds for operating activity	-	1,307	1,004	1,168	596
Interest received from investments	(244)	(1,439)	(5,627)	(1,636)	(247)
Interest paid	-	15,603	18,014	14,849	7,152
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	-	24,915	46,440	12,162	(7,034)
Net increase (decrease) in assets and liabilities	-	(38)	1,794	1,694	700
Net cash provided by (used for) operating activities	-	45,612	62,266	29,111	774

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
6,845	613	18,566	87,380
27,126	1,120	56,196	261,149
(62,867)	-	(30,069)	(193,160)
-	-	-	(102)
9	-	6	41
(28,887)	1,733	44,699	155,308
-	-	-	105,000
(2,610)	(1,500)	(5,475)	(80,745)
(8,869)	(489)	(10,343)	(75,319)
-	-	-	(2,553)
(113,250)	-	-	(138,184)
(124,729)	(1,989)	(15,818)	(191,801)
(248,454)	(20,586)	(279,560)	(1,789,264)
395,384	20,805	245,352	1,805,215
6,521	37	5,459	21,210
153,451	256	(28,749)	37,161
(165)	-	132	668
165	-	434	1,723
-	-	566	2,391
5,103	(15)	9,195	26,481
(1,373)	-	(75)	(7,068)
86	6	31	408
7	-	(6)	(230)
26	138	1,515	5,754
(6,521)	(37)	(5,459)	(21,210)
8,869	489	10,343	75,319
(35,741)	1,120	26,127	67,989
657	30	3,028	7,865
(28,887)	1,733	44,699	155,308

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, 2005
(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Cash flows from operating activities:					
Interest income on mortgages and loans	818	461	1,913	1,804	-
Principal payments received on mortgages and loans	2,158	1,219	3,993	3,162	-
Payments for goods and services	-	-	-	(37)	-
Other operating cash receipts	-	-	-	8	1,088
Other operating cash payments	-	-	-	-	(601)
Net cash provided by (used for) operating activities	2,976	1,680	5,906	4,937	487
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	-	-	-	-
Principal paid on bonds	(14,785)	(20,730)	(8,869)	(2,696)	(1,810)
Payment to defease bonds	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid	(931)	(1,534)	(2,430)	(1,793)	(1,731)
Contributions to the State of Alaska or other State agencies	-	-	(4,623)	(36)	-
Transfers (to) from other funds	12,996	10,952	5,568	(20,172)	2,077
Net cash provided by (used for) noncapital financing activities	(2,720)	(11,312)	(10,354)	(24,697)	(1,464)
Cash flows from capital financing activities:					
Proceeds from the issuance of capital notes	-	-	-	-	-
Principal paid on capital notes	-	-	(566)	(514)	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid on capital notes	-	-	(155)	(484)	-
Net cash provided by (used for) capital financing activities	-	-	(721)	(998)	-
Cash flows from investing activities:					
Purchase of investments	(6,209)	(23,290)	(18,184)	(106,140)	(4,388)
Proceeds from maturity of investments	5,966	32,509	23,080	124,574	5,363
Interest received from investments	20	432	342	2,393	2
Net cash provided by (used for) investing activities	(223)	9,651	5,238	20,827	977
Net increase (decrease) in cash	33	19	69	69	-
Cash at the beginning of year	-	-	-	-	-
Cash at the end of period	33	19	69	69	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	(225)	(4,720)	(1,689)	(1,854)	217
Adjustments:					
Provision for loan losses	262	165	448	519	-
Amortization of bond issuance costs	93	64	17	21	23
Net change in the fair value of investments	(1)	115	78	600	(4)
Transfers between funds for operating activity	54	3,892	184	306	133
Interest received from investments	(20)	(432)	(342)	(2,393)	(2)
Interest paid	931	1,534	2,585	2,277	1,731
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	2,158	1,219	3,993	3,162	-
Net increase (decrease) in assets and liabilities	(276)	(157)	632	2,299	(1,611)
Net cash provided by (used for) operating activities	2,976	1,680	5,906	4,937	487

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
730	5,546	2,692	389	14,353
2,309	10,474	2,287	-	25,602
-	-	-	-	(37)
-	12	-	-	1,108
-	-	-	-	(601)
3,039	16,032	4,979	389	40,425
-	-	126,003	174,990	300,993
(4,365)	(7,205)	-	-	(60,460)
-	-	-	(173,820)	(173,820)
-	-	(873)	(1,136)	(2,009)
(1,563)	(3,896)	(2,061)	-	(15,939)
-	(3,354)	(2,656)	-	(10,669)
4,957	5,948	(85,680)	6,726	(56,628)
(971)	(8,507)	34,733	6,760	(18,532)
-	-	24,000	-	24,000
-	-	-	-	(1,080)
-	-	(166)	-	(166)
-	-	(392)	-	(1,031)
-	-	23,442	-	21,723
(11,250)	(97,286)	(309,027)	(10,819)	(586,593)
8,666	89,662	245,708	4,008	539,536
538	350	346	4	4,427
(2,046)	(7,274)	(62,973)	(6,807)	(42,630)
22	251	181	342	986
-	-	-	-	-
22	251	181	342	986
(642)	(910)	(1,868)	(2,146)	(13,837)
172	1,902	2,356	1,967	7,791
34	14	46	11	323
(1)	23	25	(7)	828
60	698	645	724	6,696
(538)	(350)	(346)	(4)	(4,427)
1,563	3,896	2,453	-	16,970
2,309	10,474	2,287	-	25,602
82	285	(619)	(156)	479
3,039	16,032	4,979	389	40,425

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, 2005
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Cash flows from operating activities:				
Cash received for externally funded programs	2,218	10,237	2,268	2,813
Cash received for Federal HAP subsidies	-	-	-	26,364
Payments for Federal HAP subsidies	-	-	-	(26,356)
Other operating cash receipts	-	4,853	1,264	179
Other operating cash payments	-	(2)	-	-
Net cash provided by (used for) operating activities	2,218	15,088	3,532	3,000
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	(2,221)	(15,357)	(3,204)	(3,692)
Net cash provided by (used for) noncapital financing activities	(2,221)	(15,357)	(3,204)	(3,692)
Cash flows from capital financing activities:				
Proceeds from the disposal of capital assets	-	484	-	-
Net cash provided by (used for) capital financing activities	-	484	-	-
Cash flows from investing activities:				
Purchase of investments	(2,858)	(27,545)	(45,667)	-
Proceeds from maturity of investments	2,840	27,205	45,005	-
Interest received from investments	21	172	277	2
Net cash provided by (used for) investing activities	3	(168)	(385)	2
Net increase (decrease) in cash	-	47	(57)	(690)
Cash at the beginning of year	-	552	581	1,614
Cash at the end of period	-	599	524	924
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(3,488)	(6,854)	(847)	(364)
Adjustments:				
Depreciation expense	-	4,326	614	29
Net change in the fair value of investments	(10)	(88)	(149)	-
Transfers between funds for operating activity	6,355	28,987	4,748	3,398
Interest received from investments	(21)	(172)	(277)	(2)
Changes in assets and liabilities -				
Net increase (decrease) in assets and liabilities	(618)	(11,091)	(557)	(61)
Net cash provided by (used for) operating activities	2,218	15,088	3,532	3,000

Other Programs	Combined Total
4,838	22,374
6,544	32,908
(6,560)	(32,916)
267	6,563
-	(2)
5,089	28,927
(5,178)	(29,652)
(5,178)	(29,652)
-	484
-	484
(1,641)	(77,711)
1,671	76,721
10	482
40	(508)
(49)	(749)
151	2,898
102	2,149
(10,857)	(22,410)
7	4,976
(5)	(252)
44,986	88,454
(10)	(482)
(29,032)	(41,359)
5,089	28,927

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alaska (the "State") and a record of proceedings relating to the issuance of $98,675,000 aggregate principal amount of Home Mortgage Revenue Bonds, 2006 Series A (the "2006 Bonds") of the Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State created by and existing under Alaska Statutes 18.55 and 18.56, as amended (the "Act").

In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

The 2006 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted December 14, 2005, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), dated as of May 1, 2002, and the 2006 Series A Supplemental Indenture, by and between the Corporation and the Trustee, dated as of January 1, 2006, executed pursuant to said Indenture (together, the "Indenture").

The 2006 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 2006 Bonds in order for interest on the 2006 Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2006 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 2006 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 2006 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 2006 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 2006 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 2006 Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2006 Bonds is a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2006 Bonds.

9. Under existing laws, interest on the 2006 Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

10. Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, upon the advice or with the opinion of counsel. Except to the extent of our concurrence therewith, we express no opinion as to any 2006 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Very truly yours,

BIRCH, HORTON, BITTNER AND CHEROT

By: ________________________________

APPENDIX C

FORM OF OPINION OF SPECIAL TAX COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of $98,675,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2006 Series A (the "Bonds"). The Bonds will be issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"), dated as of May 1, 2002 (the "Indenture"), and the 2006 Series A Supplemental Indenture, by and between the Corporation and the Trustee, dated as of January 1, 2006, authorizing the issuance of the Bonds (the "Supplemental Indenture"). Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indenture.

In connection with the issuance of the Bonds, we have examined the Indenture and the Supplemental Indenture, the Arbitrage Certificate of the Corporation and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Corporation with certain restrictions, conditions and requirements contained in the Indenture, the Supplemental Indenture and the Tax Regulatory Agreement and No Arbitrage Certificate designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes.

We are further of the opinion that interest on the Bonds is a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

The Bonds maturing June 1, 2036 (the "Premium Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed.

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

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

Very truly yours,
/s/ Kutak Rock LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Alaska Housing Finance Corporation (the "Corporation") in connection with the issuance of $98,675,000 aggregate principal amount of its Home Mortgage Revenue Bonds, 2006 Series A (the "Subject Bonds"). The Subject Bonds are being issued pursuant to an Indenture, dated as of May 1, 2002 (the "General Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented, including as supplemented by a 2006 Series A Supplemental Indenture, dated as of January 1, 2006 (the "2006 Series A Supplemental Indenture"; together with the General Indenture, the "Indenture"), by and between the Corporation and the Trustee.The Corporation covenants and agrees with the registered owners and the beneficial owners of the Subject Bonds as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Corporation for the sole and exclusive benefit of the registered owners and beneficial owners of the Subject Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Disclosure Representative" shall mean the Executive Director/Chief Executive Officer of the Corporation or his or her designee.

"Fiscal Year" shall mean any twelve-month period ending on June 30 or on such other date as the Corporation may designate from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean, at any time, a then-existing Nationally Recognized Municipal Securities Information Repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

"Official Statement" shall mean the Corporation's final Official Statement with respect to the Subject Bonds, dated January 11, 2006.

"Participating Underwriters" shall mean any of the original underwriters of the Subject Bonds required to comply with the Rule in connection with offering of the Subject Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. The Corporation shall provide to each Repository an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2006) which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 135 days after the Fiscal Year to which it relates. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date.

SECTION 4. Content of Annual Reports. The Corporation's Annual Report shall include (i) the Corporation's audited financial statements for the fiscal year ended on the previous June 30, prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such fiscal year, (ii) an update of the financial information and operating data contained in the final Official Statement under the caption "The Corporation," (iii) the amount and type of investments (and cash) in the accounts and subaccounts established in the Indenture, (iv) the outstanding principal balances of each maturity of Subject Bonds and the sinking fund installment amounts as applicable, (v) the application of funds deposited in the 2006 Series A Subaccount of the Redemption Fund and (vi) financial information and operating data with respect to any other series of Bonds.

If not provided as part of the Annual Report by the date required (as described above under "Provision of Annual Reports"), the Corporation shall provide audited financial statements, when and if available, to each Repository.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Corporation or related public entities, which have been submitted to each of the Repositories. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Corporation shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies on the Subject Bonds or any other Bonds;

2. Non-payment related defaults under the Indenture and any Supplemental Indenture;

3. Unscheduled draws on debt service reserve reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Subject Bonds;

7. Modifications to rights of Subject Bondholders;

8. Unscheduled Subject Bond calls;

9. Defeasances of Subject Bonds;

10. Release, substitution or sale of property securing repayment of the Subject Bonds; and

11. Rating changes for the Subject Bonds.

Upon the occurrence of a Listed Event that is material, the Corporation shall file a notice of such occurrence with the Repositories. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event and shall include the CUSIP numbers of the Subject Bonds. Notwithstanding the foregoing, notice of Listed Events described in subsections (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the owners of affected Subject Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Corporation's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Subject Bonds.

SECTION 7. Dissemination Agent. The Corporation may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the Securities and Exchange Commission or Securities and Exchange Commission staff or required by the Securities and Exchange Commission. For this purpose, permission shall be deemed to have been granted by the Securities and Exchange Commission staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the Securities and Exchange Commission staff to the effect that using the agent to transmit information to the National Repositories and the State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repositories and the State Repository.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the Corporation may amend this Certificate if the following conditions are met:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof or a change in the identity, nature or status of the Corporation or the type of business conducted thereby;

(b) The Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Subject Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Subject Bonds as determined either by a party unaffiliated with the Corporation (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Subject Bonds pursuant to the terms of the Indenture.

The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 9. Transmission of Information and Notices. Unless otherwise required by law and, in the Corporation's sole determination, subject to technical and economic feasibility, the Corporation shall employ such methods of information and notice transmission as shall be requested or recommended by the recipients of the Corporation's information and notices.

SECTION 10. Default. *Except* as described in this paragraph, the provisions of this Certificate will create no rights in any other person or entity. The obligation of the Corporation to comply with the provisions of this Certificate are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any beneficial owner of Outstanding Subject Bonds, or by the Trustee on behalf of the registered owners of Outstanding Subject Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the registered owners of Outstanding Subject Bonds; *provided, however,* that the Trustee shall not be required to take any enforcement action *except* at the direction of the registered owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Corporation or the Trustee to comply with this Certificate shall be an action to compel performance.

SECTION 11. Governing Law. This Certificate shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Certificate addresses matters of Federal securities laws, including the Rule, this Agreement shall be construed in accordance with such Federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Corporation, and the registered owners and beneficial owners from time to time of the Subject Bonds, and shall create no rights in any other person or entity.

Date: January 26, 2006

ALASKA HOUSING FINANCE CORPORATION

By: ______________________________

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

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

Name of Bond Issue: $98,675,000 Home Mortgage Revenue Bonds, 2006 Series A

Date of Issuance: January 26, 2006

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named bond issue as required by the certificate of the Corporation.

Dated: ______________________________

ALASKA HOUSING FINANCE CORPORATION

By: ___________________________________

APPENDIX E

FORM OF MBIA INSURANCE CORPORATION BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

Attest: ______________________________
Assistant Secretary

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01/05___