

Stronger AHFC asset for state in difficult times



"Is it time to sell the house?"

How many of us haven't been asked that question in the past six months? With oil prices hovering in the \$50 range it's understandable if people feel anxiety and start drawing parallels to the late 1980s when the Alaskan economy collapsed.

Sure, there are similarities but the state is in a much different – and substantially better – place today.

Consider this:

- While the state's budget as a whole is largely reliant on the number of barrels produced and price of oil, the broader economy is much more diversified with federal spending, mining, tourism and fishing industries – to name just a few.
- Banks today are run in a more fiscally responsible way and are not over-extended.
- Overall growth in the economy has been slow and steady, not marked by a dramatic upswing.
- The \$53 billion permanent fund is a much larger safety net; it first crossed the \$10 billion mark in 1989. And there are billions of dollars more in other reserve accounts.

To my point about housing: AHFC doesn't see a doom and gloom scenario.

- The average interest rate on loans in our portfolio is 4.77 percent. Contrast that to 1989 when Americans were paying more than 10 percent.
- Evidence from our mortgage and finance departments show: Alaskans who are late on their mortgages is at the lowest level since 2008.
- The housing market statewide, with few exceptions, is tight. Demand still surpasses supply, especially when it comes to affordable housing.

We all know we've been through some rough years, but the turning point happened midway through FY '13. Audited financials for FY '15 will not be ready until September but going by the numbers, we can draw one conclusion:

AHFC is getting stronger by the day.

We're growing our loan portfolio again. In recent years we lost loans due to refinancing. That was good for homeowners who benefited from cheaper money and it gave them more solid footing to support their lifestyle.

Housing, as we have seen in the past, plays an important role in the economy and AHFC is fully committed to continue to provide Alaskans access to safe, quality and affordable housing. The state has some tough fiscal challenges ahead and our work at AHFC is part of the solution. Pressing the panic button will only make things worse – the same way it did in 1980s.

