AHFC and the Alaska Housing Market

The Alaska Housing Finance Corporation (AHFC) has been the chief source of home mortgage money in Alaska throughout the 1980s. From 1980 through 1985, AHFC bought more than 55,000 loans worth $4.8 billion. That represented 80 percent of new residential mortgages.

AHFC’s share of mortgage funds rose in 1980, when high national interest rates prompted the Alaska Legislature to subsidize AHFC’s loan rates and to open its programs to most Alaskans. AHFC is a public corporation that sells bonds in order to buy mortgages originated by other financial institutions.

A recent study by the University of Alaska’s Institute of Social and Economic Research (ISER) examines the role of AHFC in the Alaska housing market during the past 5 years, assesses the importance of the housing market to the state economy, and looks at how much of Alaskans’ personal wealth is in equity in their homes, particularly AHFC-financed homes. This is the first part of a two-part study.

Housing Market Activity

More than 36,000 new houses were built in urban areas between 1980 and 1985, with most new construction concentrated in Anchorage. The peak year for construction was 1983.

An annual average of 3,538 houses were sold through the Anchorage Multiple Listing Service (MLS) during the period from 1980 through 1984—an increase of 75 percent over the annual average for the period from 1975-1979.

The volume of sales recorded by MLS dropped about 20 percent in 1984, and incomplete figures for 1985 showed a continuing decline as the economy slowed down.

The biggest jump in house prices in urban areas was between 1980 and 1982, when prices of houses listed by the Anchorage MLS increased 35 percent. Prices went up only 14 percent from 1982 through 1985.

Causes of Increased Activity

Increased housing market activity in Alaska in the 1980s can be ascribed to a combination of increased population, growing incomes, and AHFC’s subsidized rates and special loan programs for low-income residents and others.

Between 1980 and 1985, Anchorage’s population increased more than 40 percent, Southcentral Alaska’s 36 percent, Fairbanks’ 20 percent, and Southeast Alaska’s 15 percent.

Urban Alaskans were wealthier in the 1980s, and wealthier households are more likely to buy houses. In 1979, 37 percent of Anchorage households had incomes above $35,000 a year. By 1985, 48 percent had annual incomes above $45,000—the comparable figure because of price inflation.

AHFC Market Share

Figure 1 shows shares of new mortgages that went to AHFC, to the Federal Housing Administration, to the big conventional lenders (Federal National Mortgage Association and Federal Home Loan Mortgage Corporation), and to others from 1979 through 1985. It also shows how sharply numbers of new mortgages varied from year to year.

*AHFC bought almost all new mortgages written in Alaska from 1980 through 1982, when the difference between AHFC rates and those of other lenders was greatest. Its market share began dropping somewhat after 1982, although in 1983 and 1984 it still held 80 percent of new mortgages. Interest rates offered by other lenders began dropping after 1982.

AHFC bought about 60 percent of new mortgages written in 1985. Market interest rates by the end of 1985 dropped to their lowest point since 1979. Falling rates meant that more new homebuyers looked to other lenders, and that a number of homeowners refinanced their houses at lower interest rates or different terms. AHFC was not able to refinance homes in 1985.

*FHA does not actually buy mortgages but rather insures them. Most FHA-insured mortgages are pooled for sale to investors in mortgage-backed securities.
 Throughout the 1980s, AFDC recipients were more likely to have a member of the household employed or to live in a household with income from other sources. By the end of the 1980s, about 6.5% of AFDC households were in the labor force; about 4% had income from sources other than AFDC, and about 3% had income from wages. Overall, about 10% of AFDC households were in the labor force.

Economic Impact of the Housing Industry

In 1985, the poverty rate for persons aged 65 and over was 10.1%, compared to 13.2% for persons aged 18-64. The poverty rate for persons aged 65 and over was 11.4%, compared to 12.6% for persons aged 18-64. The poverty rate for persons aged 65 and over was 12.0%, compared to 13.5% for persons aged 18-64. The poverty rate for persons aged 65 and over was 13.0%, compared to 14.5% for persons aged 18-64. The poverty rate for persons aged 65 and over was 14.0%, compared to 15.5% for persons aged 18-64.

Figure 2: Alaska Jobs Created by Housing Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs Created</th>
</tr>
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<tbody>
<tr>
<td>1990</td>
<td>12,000</td>
</tr>
<tr>
<td>1991</td>
<td>15,000</td>
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<tr>
<td>1992</td>
<td>18,000</td>
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<tr>
<td>1993</td>
<td>20,000</td>
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<tr>
<td>1994</td>
<td>22,000</td>
</tr>
<tr>
<td>1995</td>
<td>25,000</td>
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</tbody>
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In conclusion, the housing industry plays a significant role in the economy, creating jobs and providing a source of income for many Alaskans. The benefits of a healthy housing market can be felt across various sectors, including employment, economic growth, and overall well-being.