

Activity is down in the second half of 2007 compared to a year earlier

Mortgage lending activity – the number of loans, their dollar volume and sales volume – fell statewide in the second half of 2007 compared to a year earlier. The average sales price for a single-family home fell slightly, while it increased for condominiums and multi-family homes.

The average loan-to-value ratio for all property types combined increased substantially over the year, as increases in the average sales prices of condominiums and multi-family properties weren't enough to offset the across-the-board gains in average loan amounts.

The Alaska Department of Labor and Workforce Development, under contract with the Alaska Housing Finance Corporation, conducts the Survey of Mortgage Lending Activity every quarter. This article is based on the results of that survey, which summarizes total loan activity reported

by participating lenders for the second halves of 2006 and 2007.¹

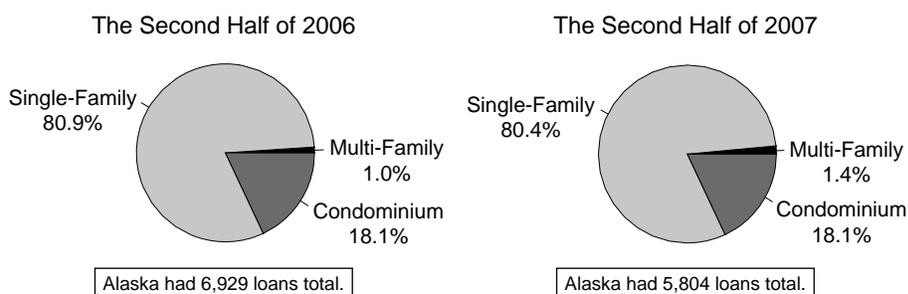
The lenders who were surveyed are Alaska's major government and private mortgage providers, as well as subsidiary companies for which the parent company reported data. Changes in loan activity over time may be affected not only by changes in the market but also by changes in the list of lenders participating.

Single-family homes

Four out of every five loans that originated in Alaska during the second half of 2007 were for single-family homes – 4,669 out of 5,804, or 80.4 percent. That share is slightly less than the 80.9 percent figure for the comparable period a year earlier. (See Exhibit 1.) Overall, the number of single-family loans dropped 16.7 percent from the 5,604 loans that were issued in the second half of 2006. (See Exhibit 2.)

Statewide, in the second half of 2007, the average sales price for single-family homes decreased 1.1 percent year-over-year to \$265,987. (See Exhibits 3 and 4.) The state's highest average sales price for single-family homes was in

1 Number of Loans by Type of Home The second half of 2006 vs. the second half of 2007, Alaska



Note: Multi-family homes are defined in the Alaska Quarterly Survey of Mortgage Lending Activity as residential buildings with four or more individual units. Buildings with two or three units (duplexes and triplexes) weren't counted.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

¹ The survey provides specific data for eight of Alaska's 28 boroughs and census areas. Specific data aren't provided for the remaining 20 boroughs and census areas, which fall into the "rest of state" category mentioned in the exhibits.

Foreclosures and Delinquencies: Alaska vs. the U.S.

National picture isn't necessarily representative of local conditions

By Brian Laurent, Research Analyst

The decline of the housing market and the resulting rise in foreclosures make news on a daily basis and it's a challenge to put a positive spin on what's happening on a national level. For those of us in Alaska, though, one has to ask, "But how are things here?" After all, as the saying goes, all real estate is local.

The Alaska Department of Labor and Workforce Development recently began collecting foreclosure data based on public records. An analysis of the numbers dating back to 2000 revealed that there were 830 foreclosures in Alaska in 2007, which was a 38.1 percent increase over 2006's figure. It was also the highest number since 2003, when there were 880. (See Exhibit A.)

Reviewing the data for the first half of 2008 revealed that the elevated level will more than likely continue this year. There were 435 foreclosures statewide between January and June 2008 – the highest figure for the first half of any year since 2003.

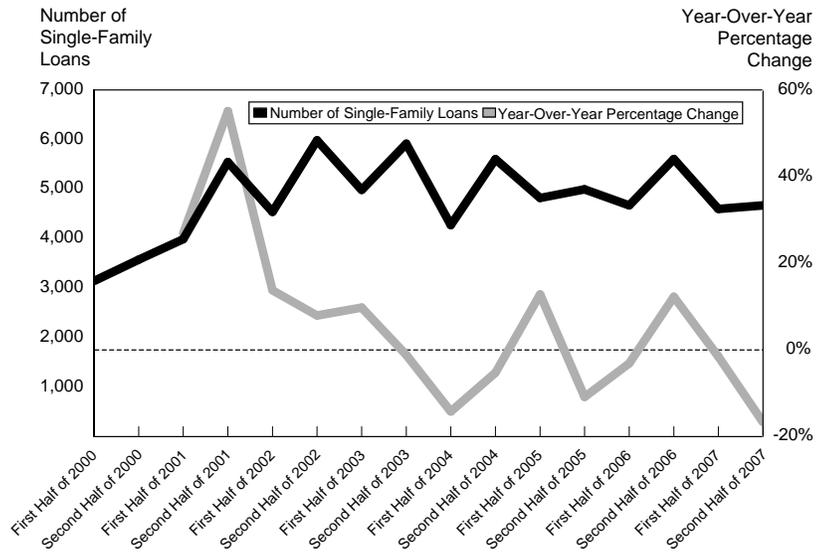
Through 2005, the highest number of the state's foreclosures was in the Matanuska-Susitna Borough.¹ (See Exhibit B.) This is striking considering that the borough's population is only a third of the Municipality of Anchorage's,² the area with the second-highest number.

Continued on Page 12

¹ For purposes of this foreclosure sidebar article only, all references to the Mat-Su Borough are synonymous with the Palmer Recording District. The vast majority of people living in the Mat-Su Borough live in the Palmer Recording District, which is mostly a subset of the borough, but the district's southeast boundary falls slightly outside the borough's boundary. Most of the borough's major communities are within the district; the main exception is Talkeetna. For more information about the district, go to the Recorder's Office Web site at dnr.alaska.gov/recorders/findYourDistrict.cfm. The Recorder's Office is within the Alaska Department of Natural Resources.

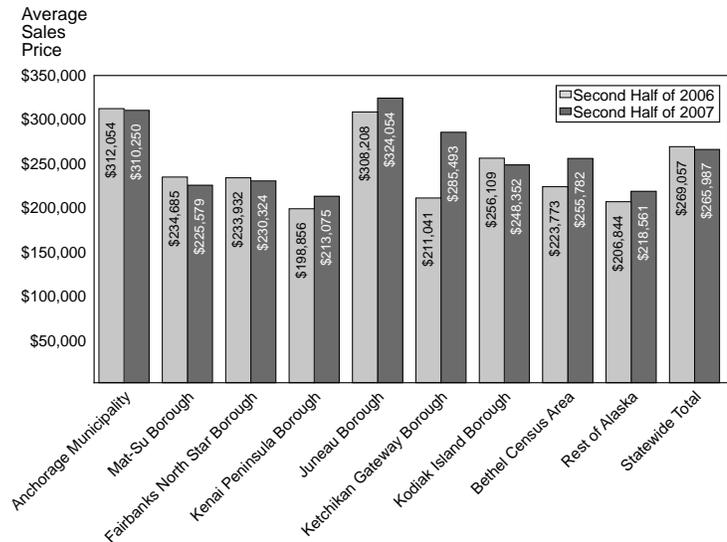
² For purposes of this foreclosure sidebar article only, all references to the Municipality of Anchorage are synonymous with the Anchorage Recording District, which includes the municipality and smaller communities, such as Skwentna, Susitna and Whittier.

Number of Single-Family Loans Alaska, 2000 to 2007 2



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

Single-Family Homes Sales prices by borough and census area 3

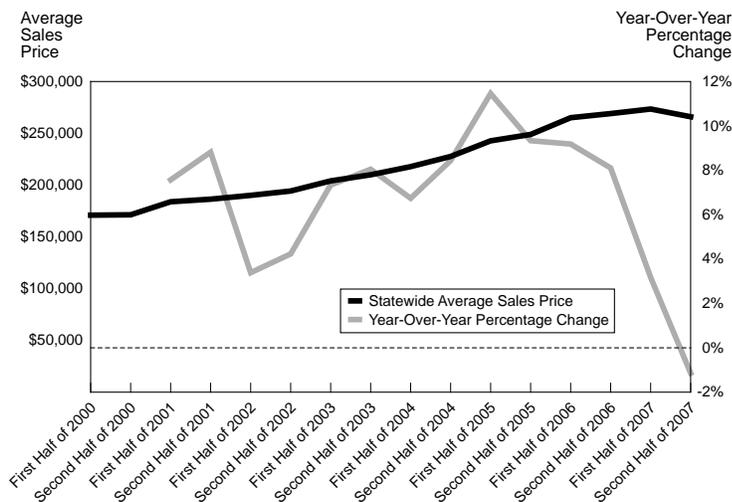


Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

the Juneau Borough at \$324,054. That was 5.1 percent higher than the \$308,208 it was during the second half of 2006. The Municipality of Anchorage² was next at \$310,250, which was 0.6

² The Municipality of Anchorage includes Chugiak, Eagle River and Girdwood. All references to Anchorage in this article are to the Municipality of Anchorage.

4 Single-Family Homes – Statewide Average sales price, 2000 to 2007



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

which was 3.9 percent lower than in the second half of 2006. (See Exhibit 6.)

The average sales price in the Ketchikan Gateway Borough escalated 35.3 percent in the second half of 2007 to reach \$285,493, making its single-family homes the third highest in the state. The Bethel Census Area also saw its average increase considerably over the year. It rose 14.3 percent to \$255,782 – the fourth highest in the state. (See Exhibit 7.)

The total dollar volume of single-family home loans statewide fell 11.8 percent, or \$142.8 million, to \$1.07 billion in the second half of 2007. The average loan amount, however, increased 5.9 percent to \$228,603.

The average loan-to-value ratio for single-family homes statewide was 85.9 percent, up from 80.3 percent in the second half of 2006. All areas throughout the state saw their respective ratios increase as borrowers put less money down and financed more of the cost of their home.³

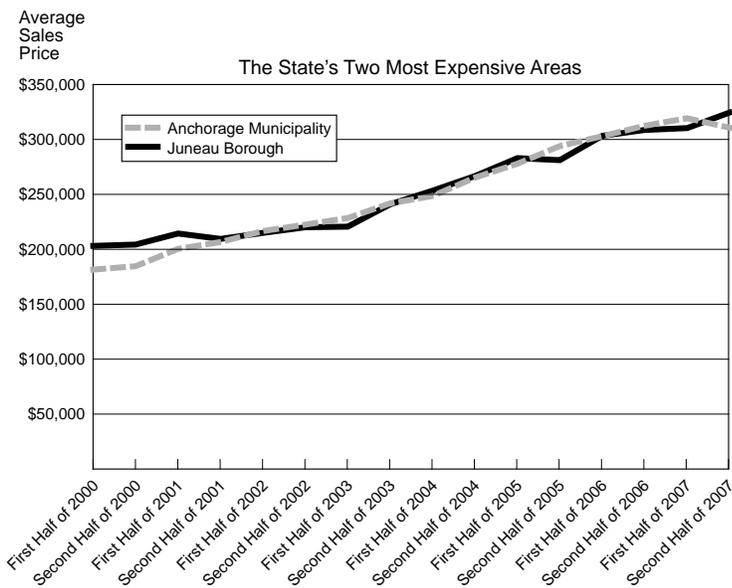
The Ketchikan Gateway Borough had the highest increase in average loan-to-value ratio, rising almost nine percentage points from 79.3 percent to 88.0 percent in the second half of 2007.

Loan-to-value ratios increase when the average loan amount for an area grows more (or contracts less) than its corresponding average sales price. The Ketchikan Gateway Borough's substantial increase in its loan-to-value ratio, for example, was due to its average loan amount growing 50.1 percent over the year compared to the 35.3 percent jump in the average sales price.

Anchorage had almost half Alaska's single-family loan activity with 49.3 percent of the loan dollar volume. The Mat-Su Borough had 16.7 percent and the Fairbanks North Star Borough was next with 14.3 percent. (See Exhibit 8.)

³ Average loan-to-value ratios are the average loan amount divided by the average sales price. The traditional 30-year fixed rate mortgage with 20 percent down has an 80 percent loan-to-value ratio. An increasing average loan-to-value ratio is an indicator that homeowners might be stretching to buy their homes.

5 Following a Similar Path Average sales price of single-family homes



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

percent lower than the \$312,054 it was a year before. (See Exhibit 5.)

Although its average sales price rose 7.2 percent, the Kenai Peninsula Borough had the state's least expensive single-family homes in the second half of 2007 at an average of \$213,075. The Mat-Su Borough was next at \$225,579,

Single-family homes – a glimpse at the 2000 numbers

Comparing average sales prices of single-family homes around the state from the second half of 2007 to the same time period in 2000 reveals marked increases. Statewide, the average jumped by more than half, 55.3 percent, from \$171,302. (See Exhibit 9.) Three boroughs had increases that were even higher: Anchorage (68.3 percent), Mat-Su (61.2 percent) and Juneau (58.9 percent).

Even the areas that had increases of less than the statewide average saw their averages make significant upward movement as well. The Fairbanks North Star, Ketchikan Gateway and Kenai Peninsula boroughs all had increases in their respective average sales prices of more than 50 percent. The lowest increases were seen in the Bethel Census Area (45.4 percent) and Kodiak Island Borough (34.1 percent).

In seven years, Alaska went from having one area, Juneau, with an average sales price for single-family homes greater than \$200,000 to having all eight boroughs and census areas in the survey surpassing the \$200,000 mark.

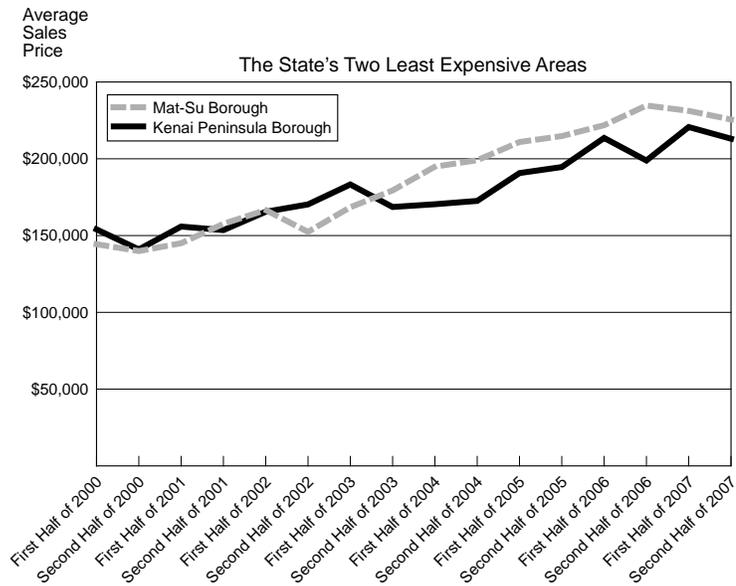
Condominiums

Statewide, condominium loan activity fell 16.2 percent, dropping from 1,255 loans in the second half of 2006 to 1,052 in the second half of 2007. The majority of those loans and their corresponding dollar volume were for condominiums in Anchorage. In the second half of 2007, 86.8 percent of the state's condominium loan dollar volume originated in Anchorage. That's slightly larger than the 85.3 percent share it had a year before that. (See Exhibit 10.)

The statewide average sales price of condominiums increased 4.5 percent to \$187,427 in the second half of 2007, compared to a year earlier. (See Exhibits 11 and 12.)

Kenai Peninsula is Least Expensive Mat-Su Borough is close behind, 2000 to 2007

6



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

Single-Family Homes The second half of 2006 vs. the second half of 2007, Alaska

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	Second Half of 2006				Second Half of 2007			
	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio
Anchorage Municipality	2,495	\$245,013	\$312,054	78.5%	2,006	\$262,487	\$310,250	84.6%
Mat-Su Borough	1,070	\$193,648	\$234,685	82.5%	902	\$197,474	\$225,579	87.5%
Fairbanks North Star Borough	825	\$193,342	\$233,932	82.6%	743	\$205,428	\$230,324	89.2%
Kenai Peninsula Borough	438	\$163,140	\$198,856	82.0%	443	\$183,937	\$213,075	86.3%
Juneau Borough	311	\$238,338	\$308,208	77.3%	171	\$269,734	\$324,054	83.2%
Ketchikan Gateway Borough	57	\$167,420	\$211,041	79.3%	41	\$251,236	\$285,493	88.0%
Kodiak Island Borough	109	\$227,751	\$256,109	88.9%	112	\$222,791	\$248,352	89.7%
Bethel Census Area	22	\$206,615	\$223,773	92.3%	20	\$239,080	\$255,782	93.5%
Rest of Alaska	277	\$171,967	\$206,844	83.1%	231	\$183,559	\$218,561	84.0%
Statewide total	5,604	\$215,943	\$269,057	80.3%	4,669	\$228,603	\$265,987	85.9%

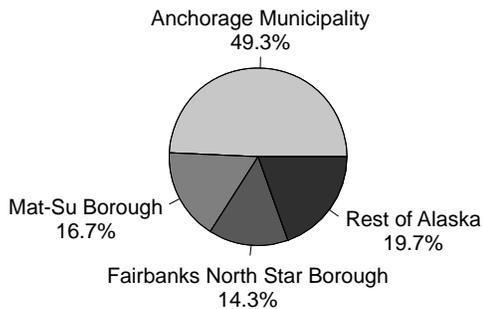
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

The Kenai Peninsula Borough was home to the highest average condominium sales price in the second half of 2007 at \$238,375. That's 77.2 percent higher than the \$134,500 it was a year earlier. It's important to keep in mind, though, that because the number of condominium sales remains low in the borough, small fluctuations in loan activity tend to exaggerate trends in aggregate figures.

The average sales price for Anchorage increased 4.8 percent to reach \$190,954, while the aver-

8 Anchorage Has Nearly Half Single-family loan amounts by borough

Loan Dollar Volume – Second Half of 2007



Alaska had \$1.07 billion in loans for single-family homes.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

age in the Mat-Su Borough increased 1.9 percent to \$182,356. (See Exhibit 13.)

As was the case a year before, the least expensive condominiums in the second half of 2007⁴ were in the Ketchikan Gateway Borough, where the average sales price dropped 19.3 percent to \$83,877. It was the only area to have a decrease. What's most interesting about this statistic is the borough had the largest percentage *increase* in its average single-family sales price in the state in the second half of 2007.

While the number of single-family loans dropped in the Ketchikan Gateway Borough (-28.1 percent), the number of condominium loans increased 85.7 percent. But once again, it's worth noting that wide variations aren't uncommon with such small sample sizes.

9 Single-Family Homes' Average Sales Price By borough and census area

	Second Half of 2000	Second Half of 2007	Percentage Change
Anchorage Municipality	\$184,303	\$310,250	68.3%
Mat-Su Borough	\$139,925	\$225,579	61.2%
Fairbanks North Star Borough	\$148,368	\$230,324	55.2%
Kenai Peninsula Borough	\$140,976	\$213,075	51.1%
Juneau Borough	\$203,908	\$324,054	58.9%
Ketchikan Gateway Borough	\$188,105	\$285,493	51.8%
Kodiak Island Borough	\$185,225	\$248,352	34.1%
Bethel Census Area	\$175,924	\$255,782	45.4%
Rest of Alaska	\$165,175	\$218,561	32.3%
Statewide Total	\$171,302	\$265,987	55.3%

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

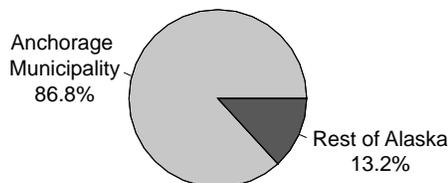
The total dollar volume of condominium loans statewide fell 7.6 percent, or \$14.6 million, to \$177.2 million in the second half of 2007. The average loan amount, however, increased 10.2 percent to \$168,439.

Alaska's average loan-to-value ratio for condominiums was 89.9 percent, up from 85.2 percent in the second half of 2006. The Fairbanks North Star Borough was the only area with a lower loan-to-value ratio year-over-year, as its

value fell from 90.5 percent to 87.2 percent. Otherwise, the remaining five areas all had increases.

10 Condominium Loan Dollar Volume Amounts by borough

The Second Half of 2007



Alaska had \$177.2 million in condominium loans.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

The average loan-to-value ratio in the Ketchikan Gateway Borough jumped 21 percentage points to 98.2 percent due to a combination of a substantial decrease in the borough's average sales price and an increase in the borough's average loan amount.

Multi-family properties

Statewide, multi-family loan activity⁵ increased 18.6 percent, rising from 70 loans in the sec-

⁴ No condominium sales were reported in either the Kodiak Island Borough or the Bethel Census Area.

⁵ The Alaska Quarterly Survey of Mortgage Lending Activity defines multi-family properties as residential buildings with four or more individual units. Buildings with two or three units (duplexes and triplexes) weren't included in the survey.

The second half of 2006 vs. the second half of 2007, Alaska

ond half of 2006 to 83 loans in the second half of 2007. The number of units financed rose at an even faster clip, jumping from 756 units to 1,226 units, or 62.2 percent. (See Exhibit 14.)

The statewide average sales price of multi-family properties increased 13.3 percent to \$1,126,739, while the average price per unit fell 17.2 percent to \$76,280.

	Second Half of 2006				Second Half of 2007			
	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio
Anchorage Municipality	1,050	\$155,695	\$182,252	85.4%	894	\$172,077	\$190,954	90.1%
Mat-Su Borough	42	\$151,815	\$178,889	84.9%	47	\$164,966	\$182,356	90.5%
Fairbanks North Star Borough	76	\$127,023	\$140,313	90.5%	39	\$124,618	\$142,974	87.2%
Kenai Peninsula Borough	4	\$110,630	\$134,500	82.3%	14	\$196,126	\$238,375	82.3%
Juneau Borough	71	\$137,801	\$174,216	79.1%	41	\$155,653	\$174,837	89.0%
Ketchikan Gateway Borough	7	\$80,592	\$103,929	77.5%	13	\$82,409	\$83,877	98.2%
Kodiak Island Borough	0	n/a	n/a	n/a	0	n/a	n/a	n/a
Bethel Census Area	0	n/a	n/a	n/a	0	n/a	n/a	n/a
Rest of Alaska	5	\$292,416	\$368,340	79.4%	4	\$137,124	\$179,475	76.4%
Statewide total	1,255	\$152,798	\$179,297	85.2%	1,052	\$168,439	\$187,427	89.9%

Note: The abbreviation "n/a" means not applicable.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

Anchorage had the majority of both the multi-family loan dollar volume (82.3 percent) and number of units financed (78.0 percent) in the second half of 2007. (See Exhibit 15.) Anchorage's share of each category, though, fell from the second half of 2006.

Unlike the trends seen in single-family homes and condominiums, the average loan-to-value ratio for multi-family properties decreased in the second half of 2007, dropping from 74.0 percent to 70.4 percent.

New versus existing construction

The Survey of Mortgage Lending Activity defines new construction as any residential housing constructed within 12 months of the survey date. Any loans that don't fit into the new construction category are classified as existing construction.

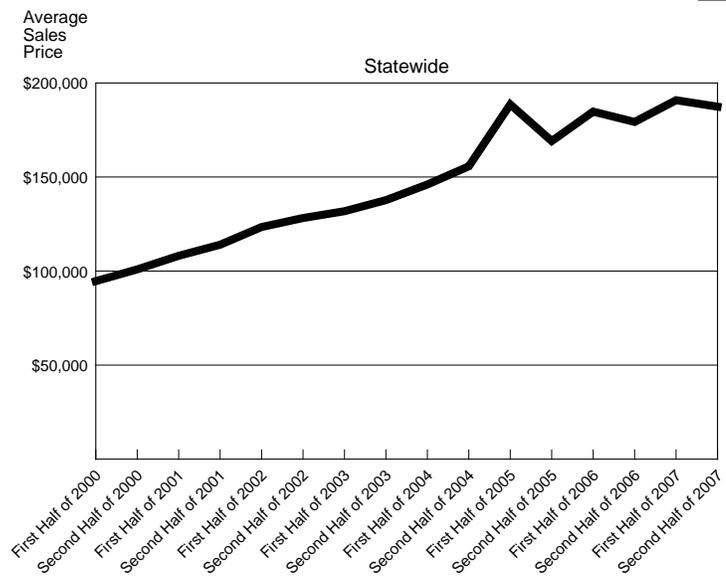
New construction

Statewide, loan dollar volume of new construction fell \$61.1 million, or 22.9 percent, from the second half of 2006 to \$205.4 million in the second half of 2007. The average sales price rose 3.5 percent, however, to \$305,490. (See Exhibit 16.)

Of the total statewide dollar volume of loans, 15.7 percent went toward new construction during the second half of 2007. The Mat-Su

Average Sales Price for Condos 12

Average nearly doubled in seven years



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

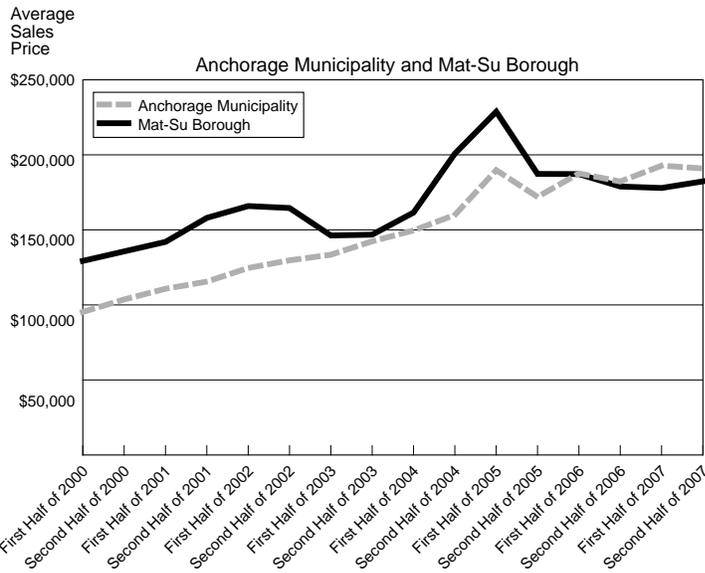
Borough's comparable rate was almost double the statewide value at 30.5 percent. (See Exhibit 17.)

For all building types combined, the statewide average sales price for new construction was 18.8 percent higher than existing construction's during the second half of 2007.

The average sales price for new construction was highest in the Ketchikan Gateway Borough.

13 Mat-Su Had Been More Expensive

Average sales price of condos, 2000 to 2007



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

average sales price increased 16.4 percent to \$393,627, while Juneau's increased 1.2 percent to \$362,656.

The state's least expensive new construction continued to be in the Mat-Su Borough. The average sales price there decreased 5.1 percent in the second half of 2007 to \$249,595. The borough's percentage of Alaska's loan dollar volume also fell, dropping from 34.8 percent to 27.9 percent. Although the total number of loans in Mat-Su also decreased over the year, the borough did retain its ranking as the area in the state with the most new construction loans at 285 – 20 more than Anchorage.

The largest decrease in average sales price for new construction was in the Fairbanks North Star Borough. The average there dropped 17.0 percent from \$313,590 to \$260,270. The borough's loan-to-value ratio jumped markedly from 69.1 percent to 89.6 percent as its average loan amount moved in the opposite direction from its average sales price, increasing 7.7 percent.

Overall, the statewide loan-to-value ratio for new construction was 81.5 percent in the second half of 2007, compared to 77.7 percent in the second half of 2006.

Existing construction

Alaska's loan dollar volume for existing construction fell \$81.9 million, or 6.9 percent, from a year before to \$1.10 billion in the second half of 2007. Yet the average sales price rose 1.6 percent to \$257,192. (See Exhibit 18.)

The number of existing construction loans decreased 13.6 percent to 4,979 over the same period.

The eight boroughs and census areas in the survey all had average sales prices for existing construction of more than \$200,000 in the second half of 2007.

The Juneau Borough remained home to the state's highest average sales price for existing construction. The average rose 10.7 percent to

14 Multi-Family Homes

The second halves of 2006 and 2007

	Second Half of 2006	Second Half of 2007
Total loans statewide	70	83
Average loan amount	\$736,124	\$793,600
Average sales price	\$994,461	\$1,126,739
Loan-to-value ratio	74.0%	70.4%
Number of total units statewide	756	1,226

Note: Multi-family homes are defined in the Alaska Quarterly Survey of Mortgage Lending Activity as residential buildings with four or more individual units. Buildings with two or three units (duplexes and triplexes) weren't included in the survey.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

It increased 24.4 percent to \$515,750 in the second half of 2007. The borough also had the highest average sales price in the state in the second half of 2006 (\$414,500); however, the small number of loans in the borough – two in the second half of 2006 and four in the second half of 2007 – makes its averages prone to wide fluctuations over time.

Anchorage and Juneau swapped positions in the second half of 2007 in regard to their respective statewide ranking positions of the average sales price of new construction. Anchorage's

\$313,878. Juneau also had the largest percentage decrease in the number of loans to finance existing construction – 47.1 percent, or 172 loans, to 193.

The state's lowest average sales price was in the Kenai Peninsula Borough at \$201,540, a 5.3 percent increase over the second half of 2006. The Ketchikan Gateway Borough had the second-lowest average at \$214,652 – an 11.6 percent jump from the second half of 2006 that was also the second-highest increase in the state.

The Bethel Census Area had the highest rate of change in its average sales price for existing construction. The average there increased 22.2 percent to \$260,745. On the opposite end of the spectrum, the comparable figure in the Kodiak Island Borough was the only one in the state to decrease in the second half of 2007. It fell 3.2 percent to \$241,763.

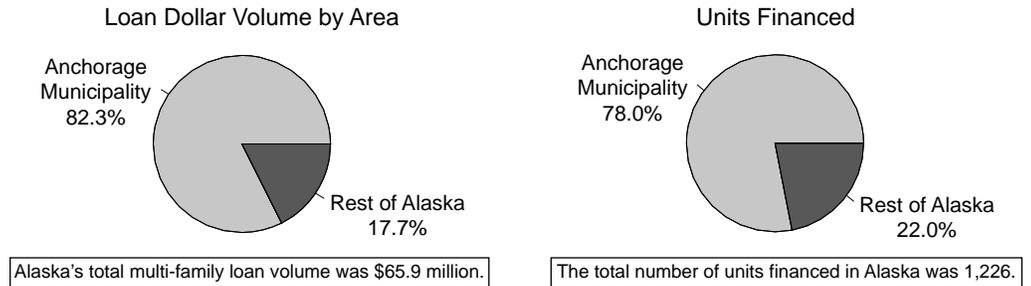
Loan-to-value ratios for existing construction increased in all areas but one – the Bethel Census Area. In the second half of 2006, the Bethel Census Area had the state's highest average loan-to-value ratio by far at 97.0 percent. That figure fell to 92.6 percent in the second half of 2007.

While the loan-to-value ratio in the Bethel Census Area was

Highest Multi-Family Volume in Anchorage **15**

Loan dollar volume and units financed, Alaska

The Second Half of 2007



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

New Construction **16**

The second half of 2006 vs. the second half of 2007, Alaska

	Second Half of 2006				Second Half of 2007			
	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio
Anchorage Municipality	388	\$267,033	\$338,117	79.0%	265	\$316,876	\$393,627	80.5%
Mat-Su Borough	437	\$212,119	\$262,897	80.7%	285	\$201,435	\$249,595	80.7%
Fairbanks North Star Borough	179	\$216,549	\$313,590	69.1%	145	\$233,220	\$260,270	89.6%
Kenai Peninsula Borough	67	\$186,179	\$245,656	75.8%	69	\$224,054	\$290,711	77.1%
Juneau Borough	18	\$263,382	\$358,329	73.5%	20	\$274,738	\$362,656	75.8%
Ketchikan Gateway Borough	2	\$264,600	\$414,500	63.8%	4	\$408,750	\$515,750	79.3%
Kodiak Island Borough	17	\$264,907	\$289,994	91.3%	12	\$268,896	\$311,449	86.3%
Bethel Census Area	2	\$202,500	\$327,500	61.8%	0	n/a	n/a	n/a
Rest of Alaska	53	\$165,615	\$218,429	75.8%	25	\$176,236	\$229,271	76.9%
Statewide total	1,163	\$229,146	\$295,019	77.7%	825	\$248,994	\$305,490	81.5%

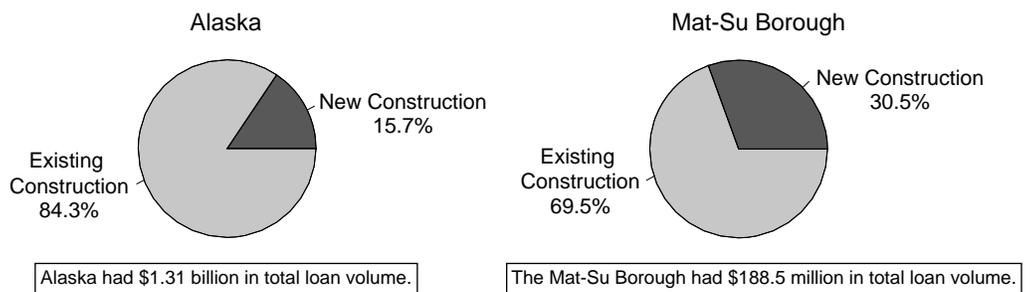
Note: The abbreviation "n/a" means not applicable.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

Loans for New and Existing Construction **17**

Mat-Su's new construction share nearly double statewide's

Loan Dollar Volume – Second Half of 2007



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

18 Existing Construction

The second half of 2006 vs. the second half of 2007, Alaska

	Second Half of 2006				Second Half of 2007			
	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio	Number of Loans	Average Loan Amount	Average Sales Price	Loan-to-Value Ratio
Anchorage Municipality	3,207	\$223,189	\$280,199	79.7%	2,688	\$242,050	\$284,646	85.0%
Mat-Su Borough	679	\$181,839	\$216,097	84.1%	672	\$195,116	\$217,907	89.5%
Fairbanks North Star Borough	727	\$181,137	\$204,965	88.4%	649	\$195,480	\$219,763	89.0%
Kenai Peninsula Borough	382	\$158,677	\$191,324	82.9%	390	\$177,567	\$201,540	88.1%
Juneau Borough	365	\$219,635	\$283,458	77.5%	193	\$263,985	\$313,878	84.1%
Ketchikan Gateway Borough	62	\$154,482	\$192,384	80.3%	50	\$194,739	\$214,652	90.7%
Kodiak Island Borough	92	\$220,886	\$249,848	88.4%	101	\$218,422	\$241,763	90.3%
Bethel Census Area	20	\$207,027	\$213,400	97.0%	21	\$241,409	\$260,745	92.6%
Rest of Alaska	232	\$177,566	\$212,297	83.6%	215	\$182,856	\$216,576	84.4%
Statewide total	5,766	\$205,851	\$253,090	81.3%	4,979	\$221,931	\$257,192	86.3%

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

the only one over 90 percent in the second half of 2006, there were three areas that surpassed that threshold in 2007.

The largest percentage point change in loan-to-value ratios was in the Ketchikan Gateway

Borough. The average loan-to-value ratio there increased 10 percentage points to 90.7 percent. That significant rise occurred because the average loan amount increased 26.1 percent, while the average sales price's percentage increase was less than half of that value at 11.6 percent.

Foreclosures and Delinquencies *Continued from Page 5*

That dynamic, however, changed in 2006. Foreclosures in Anchorage increased 166.1 percent just since 2005 to reach 306 in 2007. Meanwhile, Mat-Su's foreclosures held steady, rising slightly from 184 to 187 during the same time frame. The 186 foreclosures in Anchorage during the first half of 2008 is 66.1 percent ahead of last year's pace.

So, foreclosures are on the rise. But to gauge the relative impact of the foreclosures on Alaska's housing market, it's helpful to compare the state's rate of foreclosure to that of the nation as a whole.

The Mortgage Bankers Association's National Delinquency Survey represents roughly 80 percent to 85 percent of outstanding first mortgages. According to the most recent NDS, 2.5 percent of the nation's 45.2 million outstanding first mortgages were

in foreclosure during the first quarter of 2008, while an additional 5.6 percent were at least one payment past due.³

Foreclosures in Alaska during the first quarter of 2008, on the other hand, comprised 0.8 percent of the more than 92,000 loans surveyed. Alaska had the second-lowest percentage among all states. Only Montana's rate of 0.7 percent was lower.

Delinquency in Alaska was also lower than the national average. Past-due mortgages made up 3.4 percent of surveyed loans in the state, putting Alaska in 44th place out of the 50 states and the District of Columbia.

Much of the blame for today's housing woes has been leveled on the prevalence of subprime mortgages. These

loans were offered to homebuyers who may not have otherwise been able to qualify for a standard 30-year fixed rate mortgage due to poor credit. To compound the issue, according to Mortgage Bankers Association statistics, about half the nation's subprime mortgages that are now outstanding have adjustable rates.

These loans, known as adjustable rate mortgages, or ARMs, have short-term introductory rates (lasting three, five or seven years, for example). After the temporary, "teaser rate" period expires on the loans, the interest rate resets to a higher rate, correspondingly increasing the homeowner's monthly mortgage payment. The problem is, mortgage lenders qualified potential buyers based on the lower, short-term monthly payment as opposed to the payment based on the higher interest rate to come.

³The national numbers in this sidebar aren't seasonally adjusted.

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Foreclosures and Delinquencies *Continued from Page 12*

Subprime lending hasn't been as prevalent in Alaska as it has been in the Lower 48. During the first quarter of 2008, subprime loans made up 10.7 percent of the surveyed mortgages, compared to 12.3 percent nationally.

Subprime loans inherently have higher levels of risk to lending institutions; therefore, mortgages were originated with higher interest rates for those with credit issues to compensate for the additional threat of default. Nationally, one out of every six subprime mortgages during the first quarter of 2008 was at least one payment past due. An additional 10.7 percent were already in foreclosure. All told, roughly 1.5 million subprime loans were at least one payment past due, if not already in foreclosure.

Alaska is quite a different story, however. Less than 8 percent of subprime mortgages were delinquent and 2.8 percent were in foreclosure during the first quarter of 2008. Both of those rates are the lowest in the country. So, not only do subprime mortgages comprise a smaller proportion of Alaska's loan portfolio, but their rates of delinquency and default stand in sharp contrast to what's playing out nationally.

What's happening in Alaska isn't isolated to our neck of the woods either. In the Pacific Northwest, Washington and Oregon have also experienced lower rates of default in not only their subprime portfolios, but in their overall loans as well. It's only when one travels farther down the coast to California when the rate of foreclosure rises well above the national average.

Data methodology

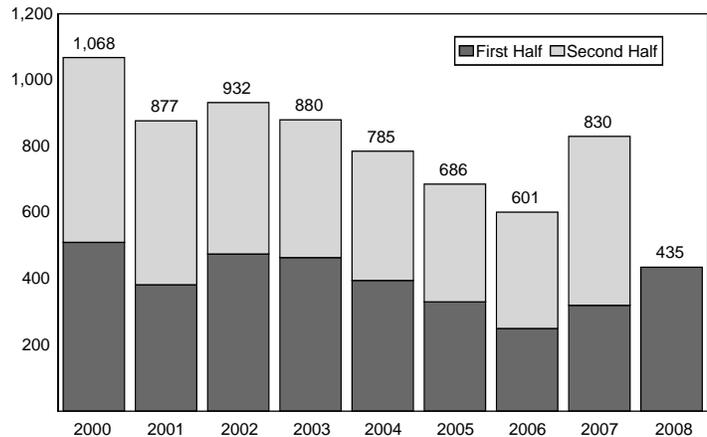
The Recorder's Office is a repository of over 6.6 million documents that represent all legally recorded documents in Alaska. The foreclosure data were pulled from the Recorder's Office database through a custom program created to identify every document

where a foreclosure was recorded since the year 2000. Foreclosures against companies were excluded to focus primarily on the housing market. The standard recorded document for foreclosures is a "trustee deed."

The qualified recordings were then organized by quarter and by region for the largest recording districts.

A Alaska Foreclosures 2000 to the first half of 2008

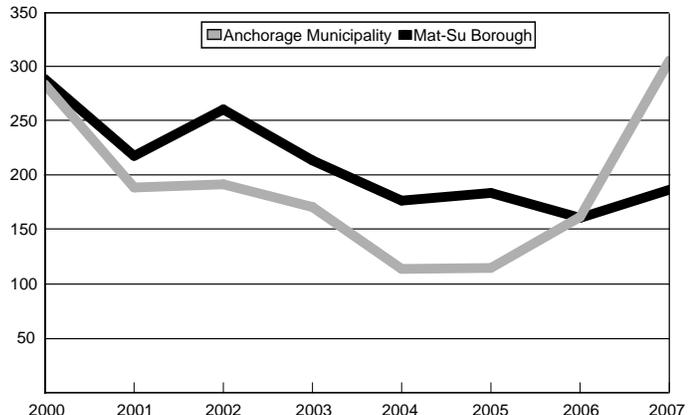
Number of Foreclosures



Sources: Alaska Department of Natural Resources, Recorder's Office; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

B Alaska Foreclosures by Borough 2000 to 2007

Number of Foreclosures



Sources: Alaska Department of Natural Resources, Recorder's Office; and Alaska Department of Labor and Workforce Development, Research and Analysis Section