


EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

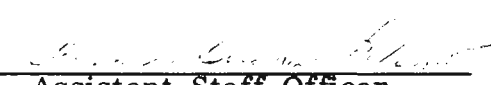
This is to certify that Substitute Bill No. 862 (LS), "AN ACT TO APPROVE TEN MILLION DOLLAR LOAN FROM GOVERNMENT OF GUAM RETIREMENT FUND TO GUAM HOUSING CORPORATION UNDER THE TERMS AND CONDITIONS CONTAINED IN LOAN AGREEMENT DOCUMENTS TRANSMITTED TO THE LEGISLATURE MARCH 14, 1986," was on the 20th day of May, 1986, duly and regularly passed.


CARL T. C. GUTIERREZ
Speaker

Attested:


ELIZABETH P. ARRIOLA
Senator and Legislative Secretary

This Act was received by the Governor this 20th day of May, 1986, at 3:20 o'clock P.m.


Assistant Staff Officer
Governor's Office

APPROVED:


RICARDO J. BORDALLO
Governor of Guam

Date:

May 29, 1986

Public Law No.

3:25 pm

EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

Bill No. 862 (LS)
Substitute by
Committee on Ways and Means

Introduced by:

J. T. San Agustin, by request
F. R. Santos
H. D. Dierking

F. J. Gutierrez
F. J. Quitugua
J. F. Ada
M. D. A. Manibusan
A. R. Unpingco
T. S. Nelson
P. C. Lujan
J. P. Aguon
E. P. Arriola
J. G. Bamba
F. F. Blas
E. R. Duenas
C. T. C. Gutierrez
A. C. Lamorena III
J. M. Rivera
T. V. C. Tanaka

AN ACT TO APPROVE TEN MILLION DOLLAR LOAN
FROM GOVERNMENT OF GUAM RETIREMENT FUND TO
GUAM HOUSING CORPORATION UNDER THE TERMS
AND CONDITIONS CONTAINED IN LOAN AGREEMENT
DOCUMENTS TRANSMITTED TO THE LEGISLATURE
MARCH 14, 1986.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:
2 Section 1. (a) Pursuant to 12 GCA §2103, on March 14, 1986,
3 documents including a resolution providing for the Guam Economic
4 Development Authority to approve the indebtedness as structured in the
5 principal amount not to exceed Ten Million Dollars (\$10,000,000) between the
6 government of Guam Retirement Fund and the Guam Housing Corporation,
7 adopted February 5, 1986 by the Board of Directors of the Guam Economic
8 Development Authority; a resolution of the Guam Housing Corporation Board
9 of Directors, adopted by the Board of Directors on January 23, 1986; and a

1 loan agreement between Guam Housing Corporation and the government of
2 Guam Retirement Fund approved by the Governor on February 28, 1986
3 were transmitted to the Office of the Legislative Secretary.

4 (b) The Legislature approves the terms and conditions of the loan
5 agreement between Guam Housing Corporation and government of Guam
6 Retirement Fund as transmitted to the Office of the Legislative Secretary on
7 March 14, 1986, for a term of twenty (20) years with the first Seven Million
8 Dollars (\$7,000,000) at ten percent (10%) simple annual interest and the
9 next Three Million Dollars (\$3,000,000) at the rate of ten and one-fourth
10 percent (10.25%) simple annual interest.

11 (c) The fee charged by Guam Economic Development Authority for any
12 service rendered in regard to the loan agreement between Guam Housing
13 Corporation and Government of Guam Retirement Fund shall be waived.

14 Section 2. Subsection (c) of 12 GCA §4103 is amended to read:

15 "(c). To encourage and engage in low and moderate income
16 housing activities, including development of residential subdivisions,
17 construction of housing for rental or resale, and to make loans to any
18 person for the purchase, construction, improvement or repair of a
19 home. All loans so made shall be of such sound value or so secured
20 as reasonably to assure repayment, taking into consideration the policy
21 of the Legislature that the lending powers of the Housing Corporation
22 shall be administered as a means for accomplishing the purposes stated
23 in §4101 of this Chapter, and shall bear interest at a rate to be
24 determined by the Board of Directors of the Guam Housing Corporation
25 but not to exceed two percent (2%) above the cost of funds until June
26 1, 1987, and thereafter, the interest rate shall not exceed the Federal
27 Housing Administration Rate.

28 Loans should be made to the residents of Guam to enable them to
29 purchase or construct permanent homes which are typhoon resistant.
30 All loans for the purchase or construction of such homes shall not
31 exceed Sixty Thousand Dollars (\$60,000). An additional sum of not to
32 exceed Ten Thousand Dollars (\$10,000) may be borrowed for the
33 purchase of land upon which the building is to be constructed. If the
34 borrower already owns land upon which to construct a building, the

1 Ten Thousand Dollars (\$10,000) to be applied to purchase land may be
2 applied for purchase or construction of a building. Loans shall be
3 given only to residents who have been unable to obtain conventional
4 financing from commercial lending institutions including but not limited
5 to banks and savings and loan associations. At least three (3) written
6 loan refusals from commercial lending institutions shall be presented
7 upon application for a Guam Housing Corporation loan."

8 Section 3. Guam Housing Corporation shall use the proceeds of the
9 loan from the Government of Guam Retirement Fund for lending capital
10 according to the following preferences: first, to government of Guam
11 employees and its retirees and survivors of former members and retirees;
12 and second, to all other eligible applicants.

13 Section 4. The sum of One Hundred Fifty-Nine Thousand Dollars
14 (\$159,000) of the funds appropriated to the Legislature Capital Improvement
15 Fund pursuant to Section 4 of P.L. 18-1 is reprogrammed for the provision
16 of legislative office expenses.

17 Section 5. The sum of Sixty Thousand Dollars (\$60,000) of the funds
18 appropriated to the Legislature Capital Improvement Fund pursuant to
19 Section 4 of P.L. 18-1 is reprogrammed to the Legislative Operations Fund
20 for the reimbursement of expenses of state funerals.

EIGHTEENTH GUAM LEGISLATURE

(PL. 16-34)

ROLL CALL SHEET

Bill No.: 262

DATE: 5-29-86

Resolution No.: _____

QUESTION: _____

<u>SENATOR</u>	<u>AYE</u>	<u>NAY</u>	<u>NOT VOTING</u>	<u>ABSENT</u>
J. F. Ada	✓			
J. P. Aguon	✓			
E. P. Arriola	✓			
J. G. M. Bamba	✓			
F. F. Blas	✓			
H. D. Dierking	✓			
E. R. Duenas	✓			
C. T. C. Gutierrez	✓			
F. J. Gutierrez	✓			
A. C. Lamorena III	✓			
P. C. Lujan	✓			
M. D. A. Manibusan	✓			
██████████	██████████	██████████	██████████	██████████
T. S. Nelson	✓			
D. Parkinson		✓		
F. J. Quitugua	✓			
J. M. Rivera				✓
J. T. San Agustin	✓			
F. R. Santos	✓			
T. V. C. Tanaka	✓			
A. R. Unpingco				✓

17 1

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Office of the Vice-Speaker Eighteenth Guam Legislature

P.O. Box CB-1, Agana
Territory of Guam, U.S.A. 96910
Tel: 477-8527/9120

JOE T. SAN AGUSTIN
Vice-Speaker

Chairman, Committee
on Ways and Means

May 7, 1986

Vice-Chairman, Committee
in Federal, Foreign, and
Legal Affairs

Honorable Carl T.C. Gutierrez
Speaker
Eighteenth Guam Legislature
P.O. Box CB-1
Agana, Guam 96910

Member, Committee
on Rules

VIA: Chairman, Committee on Rules

Dear Mr. Speaker:

Member, Committee
Tourism, Transportation,
and Communication

The Committee on Ways & Means, to which Bill Number 862 was referred, wishes to report its findings and recommendations.

The Committee voting record is as follows:

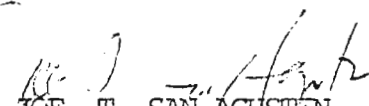
To do pass	<u>7</u>
To not pass	<u>1</u>
To report out	<u>1</u>
Off-Island	<u>0</u>

Member, Committee on
Health, Welfare,
and Ecology

Member, Committee
on Education

A copy of the report and all other pertinent documents are attached for your information.

Sincerely yours,


JOE T. SAN AGUSTIN
Chairperson
Committee on Ways & Means

attachments

VOTE SHEET
 Committee on Ways & Means
 BILL NUMBER 862

"AN ACT TO APPROVE TEN MILLION DOLLAR LOAN FROM
 GOVERNMENT OF GUAM RETIREMENT FUND TO GUAM HOUSING CORPORATION
 UNDER THE TERMS AND CONDITIONS CONTAINED IN LOAN AGREEMENT
 DOCUMENTS TRANSMITTED TO THE LEGISLATURE MARCH 14, 1986."

<u>SENATOR</u>	<u>TO DO PASS</u>	<u>TO NOT PASS</u>	<u>TO REPORT OUT</u>	<u>COMMENTS</u>
<u>Joe T. San Agustin, Chairman</u>	✓			
<u>Francisco R. Santos, Vice-Chairman</u>	✓			
<u>Joseph F. Ada, Member</u>	✓			
<u>Herminia D. Dierking, Member</u>	✓			
<u>Franklin J. Gutierrez, Member</u>			✓	
<u>Marilyn D.A. Manibusan, Member</u>	✓			
<u>Don Parkinson, Member</u>		✓		
<u>Franklin J. Quituxua, Member</u>	✓			
<u>Antonio R. Unpingco, Member</u>	✓			

6 5/20/86

EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

Bill No. 862
Substitute by
Committee on Ways and Means

Introduced by:

J. T. San Agustin,
By Request
F. R. Santos
H. D. Dierking

F. J. Gutierrez
~~D. Parkinson~~ WDP.
F. J. Quitugua
J. F. Ada
M. D. A. Manibusan
A. R. Unpingco

TSA + C.A.P.
POL

AN ACT TO APPROVE TEN MILLION DOLLAR LOAN
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GUAM HOUSING CORPORATION UNDER THE TERMS
AND CONDITIONS CONTAINED IN LOAN AGREEMENT
DOCUMENTS TRANSMITTED TO THE LEGISLATURE
MARCH 14, 1986.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:
2 Section 1. (a) Pursuant to 12 GCA §2103, on March 14, 1986,
3 documents including a resolution providing for the Guam Economic
4 Development Authority to approve the indebtedness as structured in the
5 principal amount not to exceed Ten Million Dollars (\$10,000,000) between the
6 government of Guam Retirement Fund and the Guam Housing Corporation,
7 adopted February 5, 1986 by the Board of Directors of the Guam Economic
8 Development Authority; a resolution of the Guam Housing Corporation Board
9 of Directors, adopted by the Board of Directors on January 23, 1986; and a
10 loan agreement between Guam Housing Corporation and the government of
11 Guam Retirement Fund approved by the Governor on February 28, 1986
12 were transmitted to the Office of the Legislative Secretary.

1 (b) The Legislature approves the terms and conditions of the loan
2 agreement between Guam Housing Corporation and government of Guam
3 Retirement Fund as transmitted to the Office of the Legislative Secretary on
4 March 14, 1986, for a term of twenty (20) years with the first Seven Million
5 Dollars (\$7,000,000) at ten percent (10%) simple annual interest and the
6 next Three Million Dollars (\$3,000,000) at the rate of ten and one-fourth
7 percent (10.25%) simple annual interest.

8 (c) If the loan proceeds are used for loans at an interest rate lower
9 than the interest rate as specified in Subsection (b) of this Section, the
10 difference in interest paid and interest earned shall be absorbed within the
11 Guam Housing Corporation. The interest subsidy shall be from the existing
12 fund reserves and loan portfolio of the Guam Housing Corporation.

13 (d) The fee charged by Guam Economic Development Authority for any
14 service rendered in regard to the loan agreement between Guam Housing
15 Corporation and Government of Guam Retirement Fund shall be waived.

*1/2000, 2, F&E.
2/2000, 2, F&E, C. 157, 158, 159, 160 (see I)
3/2000, 2, SPA, 157, 158 Leg. office records.
4/2000, 2, SPA, 157, 158, 159, 160, \$60,000*

COMMITTEE REPORT

BILL NO. 862

"AN ACT TO APPROVE TEN MILLION DOLLAR LOAN FROM GOVERNMENT OF GUAM RETIREMENT FUND TO GUAM HOUSING CORPORATION UNDER THE TERMS AND CONDITIONS CONTAINED IN LOAN AGREEMENT DOCUMENTS TRANSMITTED TO THE LEGISLATURE MARCH 14, 1986."

BACKGROUND

Bill No. 862 introduced by Senator Joe T. San Agustin is an Act to approve a Ten Million Dollar loan from the Government of Guam Retirement Fund to the Guam Housing Corporation. Pursuant to 12 GCA Subsection 2103(k), the Guam Economic Development Authority, acting as the central financial manager in this loan transaction, shall not issue bonds or other obligations unless the terms and conditions are approved by the Legislature by statute. The proceeds of the loan are to be used by the Corporation as lending capital to residents of the island for home construction or purchase. In addition, the loan agreement states that certain requirements by the Corporation must be followed with regard to the lending of funds. Preference of loans shall first be made to Government of Guam employees and retirees, and second preference shall be given to all other eligible applicants. Further, the loan agreement states, "only one per family household shall be eligible to borrow."

The loan to the Corporation is for a term of 20 years at a fixed interest rate and disbursed in increments upon availability. The loan structure provides for the initial \$7.0 million to be loaned at 10% simple annual interest and the remaining \$3.0 million at an interest rate of 10.25% per annum. Payments toward the loan are to be made on a monthly basis and will include applicable principal and interest.

Security for the loan shall be provided by the Corporation in the form of an assignment of the individual mortgage loans from the proceeds of the Retirement Fund loan. The security shall be on a one-to-one ratio of the loan notes, shall all constitute first mortgages and no loan shall exceed \$60,000.

PUBLIC HEARING AND TESTIMONY

The public hearing on Bill No. 862 was held on March 31, 1986 at 9:00 a.m. in the Legislative Session Hall. Senators present for the hearing included the Committee Chairman, Senator Joe T. San Agustin; and Senators Francisco R. Santos, Franklin J. Quitugua, and Joseph F. Ada.

Appearing before the Committee was Mr. James G. Sablan, President of Guam Housing Corporation and Mr. David Terlaje, Legal Counsel for the Corporation. Both individuals testified in favor of the Bill and submitted a listing of approximately 140 individual applicants who are awaiting available funding for home purchase or construction.

A rather significant matter was brought to the attention of the Committee with regard to the loan from the Retirement Fund and the subsequent loans made to individual applicants. As stated earlier, the Corporation will be borrowing the funds from the Retirement Fund at interest rates of 10.0 and 10.25%. However, through governing statutes, the Corporation is prohibited from loaning funds to individuals at interest rates that exceed the current FHA rates. As of April 4, 1986, the FHA interest rate was 9.5%, therefore by borrowing funds at 10% and then lending the same funds at a lower interest rate, the Corporation would be losing money. According to Mr. Sablan, if this were the case, the Corporation would use its existing fund reserves as a subsidy toward the repayment of their loan from the Retirement Fund.

Because of this, a Subsection (c) has been added to the original Bill which states the Corporation shall use fund reserves if necessary to make up for any losses as a result of the difference in interest rates.

Also brought forth during the hearing was the involvement of the Guam Economic Development Authority acting as the government's central financial manager and consultant for transactions such as this. For their financial guidance, analysis, and assistance, GEDA will be receiving a fee of 1/2 of 1% of \$40.0 million or \$50,000; however, it was made known that all negotiations, ground work and technical work was performed solely by the Guam Housing Corporation and the Retirement Fund. The actual participation of GEDA in packaging and consumating the loan is practically non-existent. In this respect, it is the concensus of the Committee that the fee imposed by GEDA shall be waived and as such is included in the Bill as Subsection (d).

COMMITTEE RECOMMENDATION

The loan will provide the Corporation the much needed capital for lending to individuals planning to construct or purchase housing and should be

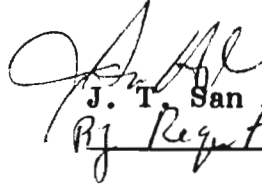
considered an investment in the economy of the territory. The Corporation has long had a backlog of qualified applicants; however, there have not been enough funds to satisfy the demand for loans being requested. The Committee hereby recommends to the full Legislature the passage of Bill No. 862 as substituted.

Introduced
MAR 27 '86

EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

Bill No. 862(12)

Introduced by:


J. T. San Agustin
Rj Regent

AN ACT TO APPROVE TEN MILLION DOLLAR LOAN FROM GOVERNMENT OF GUAM RETIREMENT FUND TO GUAM HOUSING CORPORATION UNDER THE TERMS AND CONDITIONS CONTAINED IN LOAN AGREEMENT DOCUMENTS TRANSMITTED TO THE LEGISLATURE MARCH 14, 1986.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2 Section 1. (a) The Legislature takes notice that 12 GCA §2103(k)
3 reads in part:

4 "(k) the Corporation shall act as a central financial manager and
5 consultant for those agencies or instrumentalities of the government
6 requiring financial guidance and assistance. ...For purposes of this
7 Subsection, 'agencies and instrumentalities of the government' include
8 but are not limited to such public corporations as...and all other
9 agencies or instrumentalities of the government given the power, now
10 or in the future, to issue and sell bonds or other obligations for the
11 purpose of raising funds. Such agencies and instrumentalities of the
12 government shall issue bonds and other obligations only be means of
13 and through the agency of the Corporation, ...the corporation shall
14 not issue or sell any bond unless the terms and conditions of the
15 issuance of the bonds are approved by the legislature by statute."

16 (b) On March 14, 1986, documents including a resolution providing
17 for the Guam Economic Development Authority to approve the indebtedness
18 as structured in the principal amount not to exceed Ten Million Dollars
19 (\$10,000,000) between the government of Guam Retirement Fund and the
20 Guam Housing Corporation, adopted February 5, 1986 by the Board of
21 Directors of the Guam Economic Development Authority; a resolution of the
22 Guam Housing Corporation Board of Directors, adopted by the Board of
23 Directors on January 23, 1986; and a loan agreement between Guam Housing

1 Corporation and the government of Guam Retirement Fund approved by the
2 Governor on February 28, 1986 were transmitted to the Office of the
3 Legislative Secretary.

4 (c) The Legislature approves the terms and conditions of the loan
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8 Dollars (\$7,000,000) at ten percent (10%) simple annual interest and the
9 next Three Million Dollars (\$3,000,000) at the rate of ten and one-fourth
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