



*Territory of Guam*  
*Territorio de Guam*

OFFICE OF THE GOVERNOR  
UPSIÑAN I MAGA LAHI  
AGANA, GUAM 96910 U.S.A.

MAR 26 1990

The Honorable Joe T. San Agustin  
Speaker, Twentieth Guam Legislature  
Post Office Box CB-1  
Agana, Guam 96910

*Robert Serrano*

Dear Mr. Speaker:

Transmitted herewith is Bill No. 677, which I have signed into law this date  
as Public Law No. 20-109.

Sincerely,

*Joseph F. Ada*  
JOSEPH F. ADA  
Governor

Attachment

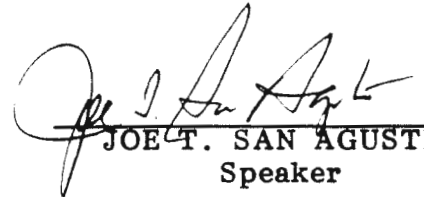
200803




TWENTIETH GUAM LEGISLATURE  
1989 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR


This is to certify that Substitute Bill No. 677 (COR), "AN ACT TO AMEND SUBSECTION (c) OF §4103, TITLE 12, GUAM CODE ANNOTATED, TO AMEND ARTICLE 2 OF CHAPTER 4 OF SAID TITLE 12, TO CHANGE LOAN LIMITATIONS OF THE GUAM HOUSING CORPORATION, AND TO CITE THE ACT AS THE HOME LOAN SUBSIDY PROGRAM OF 1989," was on the 29th day of September, 1989, duly and regularly passed.

  
\_\_\_\_\_  
JOE T. SAN AGUSTIN  
Speaker

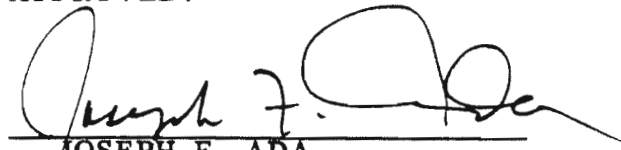
Attested:

  
\_\_\_\_\_  
PILAR C. LUJAN  
Senator and Legislative Secretary

-----  
This Act was received by the Governor this 5th day of Oct., 1989,  
at 3:50 o'clock P.m.

  
\_\_\_\_\_  
Assistant Staff Officer  
Governor's Office

APPROVED:

  
\_\_\_\_\_  
JOSEPH F. ADA  
Governor of Guam

Date: October 17, 1989

Public Law No. 20-109

TWENTIETH GUAM LEGISLATURE  
1989 (FIRST) Regular Session

Bill No. 677 (COR)  
Substituted by the Committee  
on Housing and Community Development  
and further substituted by Committee  
on Rules.

Introduced by:

G. Mailloux  
T. S. Nelson  
C. T. C. Gutierrez

---

H. D. Dierking  
J. T. San Agustin  
J. P. Aguon  
E. P. Arriola  
M. Z. Bordallo  
P. C. Lujan  
D. Parkinson  
F. J. A. Quitugua  
E. D. Reyes  
F. R. Santos  
M. D. A. Manibusan  
J. G. Bamba  
D. F. Brooks  
E. R. Duenas  
E. M. Espaldon  
M. C. Ruth  
T. V. C. Tanaka  
A. R. Unpingco

AN ACT TO AMEND SUBSECTION (c) OF  
§4103, TITLE 12, GUAM CODE ANNOTATED,  
TO AMEND ARTICLE 2 OF CHAPTER 4 OF  
SAID TITLE 12, TO CHANGE LOAN  
LIMITATIONS OF THE GUAM HOUSING  
CORPORATION, AND TO CITE THE ACT AS  
THE HOME LOAN SUBSIDY PROGRAM OF  
1989.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:  
2 Section 1. Subsection (c) of §4103 of Title 12, Guam Code Annotated,  
3 is hereby amended to read:  
4 "(c) To encourage and engage in low and moderate income  
5 housing activities, including development of residential subdivisions,

1 construction of housing for rental or resale, and make loans to any  
2 person for the purchase, construction, improvement or repair of a  
3 home. All loans so made shall be of such sound value or so secured  
4 as reasonably to assure repayment, taking into consideration the policy  
5 of the Legislature that the lending powers of the Housing Corporation  
6 shall be administered as a means for accomplishing the purposes stated  
7 in §4101 of this Chapter, and shall bear interest at a rate to be  
8 determined by the Board of Directors of the Guam Housing Corporation  
9 but not to exceed two percent (2%) above the cost of funds until June  
10 1, 1987, and thereafter, the rate shall not exceed the Federal Housing  
11 Administration rate.

12 Loans should be made to the residents of Guam to enable them to  
13 purchase or construct permanent homes which are typhoon resistant.  
14 All loans for the purchase of construction of such homes shall not  
15 exceed Seventy-Five Thousand Dollars (\$75,000). An additional sum of  
16 not to exceed Twenty-Five Thousand Dollars (\$25,000) may be  
17 borrowed for the purchase of land upon which the building is to be  
18 constructed. If the borrower already owns land upon which to  
19 construct a building, the Twenty-Five Thousand Dollars (\$25,000) to  
20 be applied to purchase land may be applied for purchase or  
21 construction of a building. Loans shall be given only to residents who  
22 have no permanent homes and who have been unable to obtain  
23 conventional financing from commercial lending institutions including  
24 but not limited to banks and savings and loan associations. At least  
25 three (3) written loan refusals from commercial lending institutions  
26 shall be presented upon application for a Guam Housing Corporation  
27 loan."

28 Section 2. Article 2 of Chapter 4, Title 12, Guam Code Annotated, is  
29 amended to read:

- 30 "Article 2  
31 Government Loan Subsidy Act  
32 §4201. Definitions.  
33 §4202. Loans by the Corporation.

- 1           §4203.     Vacant.
- 2           §4204.     Loans Made Under the Subsidy Program.
- 3           §4205.     Interest Subsidy for Low and Moderate Income Families.
- 4           §4206.     Government Subsidy Rate and Term Thereof.
- 5           §4207.     Limitation on Government Subsidy Rate.
- 6           §4208.     Subsidy Schedule.
- 7           §4209.     Termination of Subsidy.
- 8           §4210.     Refund of Subsidy Monies.
- 9           §4211.     Income Certification.
- 10          §4212.     Extension of Termination of Subsidy Term.
- 11          §4213.     Corporation Subsidy Fund.
- 12          §4214.     Qualification for Interest Subsidy Program.
- 13                §4201.   Definitions. As used in this Article:
- 14                (a) "Adjusted annual income" means the total family income
- 15                less five percent (5%) of such total family income less Four
- 16                Hundred Eighty Dollars (\$480) for each dependent.
- 17                (b) "Board" means the Board of Directors of the Guam
- 18                Housing Corporation.
- 19                (c) "Corporation" means the Guam Housing Corporation.
- 20                (d) "Family Income" means the total annual income derived
- 21                from all sources for each member of the family.
- 22                (e) "Government" means the government of Guam.
- 23                (f) "Family" means two (2) or more persons related by
- 24                blood or marriage, living together as a household.
- 25                (g) "Interest Subsidy" means interest paid by the
- 26                Government on each loan made by the Corporation pursuant to the
- 27                provisions of this Article.
- 28                (h) "Loan" means that loan made by the Corporation to a
- 29                low or moderate income family pursuant to the provisions of this
- 30                Chapter.
- 31                (i) "Dependent" includes any child or individual of whom
- 32                the head of household is legal guardian and who is under

1           nineteen (19) years; any child or individual of whom the head of  
2 household is legal guardian and who is not older than the age of  
3 twenty-five (25); provided, that the child or individual is a full  
4 time student; or any individual, child, relative, or parent for  
5 whom the head of household has an obligation to provide financial  
6 support because of mental or physical incapacity.

7           (j) "Home" includes a residential condominium unit.

8           §4202. Loans by the Corporation. The Corporation is authorized  
9 to make loans under this Chapter to low and moderate income families  
10 for the purchase or construction of their residential homes. All loans  
11 made by the Corporation shall be subject to the following limitations:

12           (a) The maximum loan authorized for the purchase or  
13 construction of a residential home shall be ninety-seven percent  
14 (97%) of the appraised value of the property and improvements.

15           (b) The minimum living areas for residential homes the  
16 subject of Corporation loans shall be nine hundred (900) square  
17 feet for two (2) bedroom-one-(1-) bath homes, one thousand one  
18 hundred (1,100) square feet for three (3) bedroom-one-(1-) bath  
19 homes, one thousand two hundred sixty-two (1,260) square feet  
20 for three (3) bedroom-two-(2-) bath homes, and one thousand  
21 four hundred (1,400) square feet for four (4) bedroom-two-(2-)  
22 bath homes.

23           §4203. Vacant.

24           §4204. Loans Made Under the Subsidy Program. Loans made by  
25 the Corporation under the subsidy program shall bear interest at the  
26 prevailing Veterans Administration rate.

27           §4205. Interest Subsidy for Low and Moderate Income Families.  
28 The Government shall provide interest subsidies to qualified low and  
29 moderate income families who don't own their own permanent homes for  
30 home construction, purchase, repair or improvement loans made by the  
31 Corporation. Subsidies shall be available to each family based on the

1 family's adjusted income which shall be determined at the time of  
2 application and in accordance with the subsidy schedule under §4208 of  
3 this Article.

4 §4206. Government Subsidy Rate and Term Thereof. The  
5 Government shall provide interest subsidies to qualified families. The  
6 subsidies shall be given in accordance to the subsidy schedule set  
7 forth in §4208 within the limits as income and maximum subsidy  
8 amounts as follows:

9 (a) For families with an adjusted income less than Twenty  
10 Four Thousand One Hundred Dollars (\$24,100), the Government's  
11 maximum subsidy rate shall be four percent (4%) for the first  
12 year, four percent (4%) for the second year, three percent (3%)  
13 for the third year, two percent (2%) for the fourth year, and one  
14 percent (1%) for the fifth year. The subsidy shall cease at the  
15 end of the fifth year unless otherwise extended or terminated by  
16 the Corporation.

17 (b) For families with an adjusted income equal to or greater  
18 than Twenty Four Thousand Dollars (\$24,000), but less than  
19 Twenty Six Thousand One Hundred Dollars (\$26,100), the  
20 Government's maximum subsidy rates shall be three percent (3%)  
21 for the first year, three percent (3%) for the second year, two  
22 percent (2%) for the third year, and one percent (1%) for the  
23 fourth year. The subsidy shall cease at the end of the fourth  
24 year unless otherwise extended or terminated by the Corporation.

25 (c) For families with an adjusted income equal to or greater  
26 than Twenty Six Thousand One Hundred Dollars (\$26,100) but  
27 less than Twenty Eight Thousand One Hundred Dollars (\$28,100),  
28 the Government's maximum subsidy rates shall be two percent  
29 (2%) for the first year, two percent (2%) for the second year,  
30 and one percent (1%) for the third year. The subsidy shall cease  
31 at the end of the third year unless otherwise extended or  
32 terminated by the Corporation.

1 (d) For families with an adjusted income equal to or greater  
2 than Twenty-Eight Thousand One Hundred Dollars (\$28,100), but  
3 less than Thirty Thousand One Hundred Dollars (\$30,100), the  
4 Government's maximum subsidy rates shall be one percent (1%) for  
5 the first year and second years. The subsidy shall cease at the  
6 end of the second year unless otherwise extended or terminated  
7 by the Corporation.

8 (e) In the event the Corporation's rate decreases below  
9 twelve percent (12%), the initial maximum subsidy rate shall be  
10 reduced to that rate provided for under §4207 of this Article.  
11 The rates in §4205 (b), (c) and (d) shall also be adjusted by the  
12 same number of basis points between the maximum subsidy level  
13 and the rates provided for under §4207 of this Article. The rate  
14 shall be the same the second year until the rate equals zero.

15 (f) The adjusted income levels in paragraphs (a), (b), (c)  
16 and (d) of this subsection shall be adjusted periodically by the  
17 percentage change in the median income for the Territory as  
18 established by the U.S. Department of Housing and Urban  
19 Development. At the closing of each loan, the subsidy level shall  
20 be fixed and shall not be changed regardless of any change in  
21 the median income.

22 §4207. Limitation on Government Subsidy Rates. The  
23 Government's subsidy rates shall not exceed four percent (4%) per  
24 annum.

25 §4208. Subsidy Schedule. There is hereby established the  
26 following subsidy schedule to which this Article applies. The rate of  
27 the Government subsidy shall be in accordance with the schedule  
28 subject to the limitations set forth in §4205. The initial subsidy shall  
29 depend on each instance on the prevailing Veterans Administration rate  
30 at the time a loan is made.



1	Veterans Administration Rate.						
2	%	Government Interest Subsidy Schedule					
3		1st	2nd	3rd	4th	5th	6th
4		<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
5	16.00	4.00	4.00	3.00	2.00	1.00	.00
6	15.75	4.00	4.00	3.00	2.00	1.00	.00
7	15.50	4.00	4.00	3.00	2.00	1.00	.00
8	15.25	4.00	4.00	3.00	2.00	1.00	.00
9	15.00	4.00	4.00	3.00	2.00	1.00	.00
10	14.75	4.00	4.00	3.00	2.00	1.00	.00
11	14.50	4.00	4.00	3.00	2.00	1.00	.00
12	14.25	4.00	4.00	3.00	2.00	1.00	.00
13	14.00	4.00	4.00	3.00	2.00	1.00	.00
14	13.75	4.00	4.00	3.00	2.00	1.00	.00
15	13.50	4.00	4.00	3.00	2.00	1.00	.00
16	13.25	4.00	4.00	3.00	2.00	1.00	.00
17	13.00	4.00	4.00	3.00	2.00	1.00	.00
18	12.75	4.00	4.00	3.00	2.00	1.00	.00
19	12.50	4.00	4.00	3.00	2.00	1.00	.00
20	12.25	4.00	4.00	3.00	2.00	1.00	.00
21	12.00	4.00	4.00	3.00	2.00	1.00	.00
22	11.75	3.75	3.75	2.75	1.75	.75	.00
23	11.50	3.50	3.50	2.50	1.50	.50	.00
24	11.25	3.25	3.25	2.25	1.25	.25	.00
25	11.00	3.00	3.00	2.00	1.00	.00	.00
26	10.75	2.75	2.75	1.75	.75	.00	.00
27	10.50	2.50	2.50	1.50	.50	.00	.00
28	10.25	2.25	2.25	1.25	.25	.00	.00
29	10.00	2.00	2.00	1.00	.00	.00	.00
30	9.75	1.75	1.75	.75	.00	.00	.00
31	9.50	1.50	1.50	.50	.00	.00	.00
32	9.25	1.25	1.25	.25	.00	.00	.00
33	9.00	1.00	1.00	.00	.00	.00	.00

1           §4209. Termination of Subsidy. The government interest subsidy  
2 under this Article shall automatically terminate if, during the subsidy  
3 term, the residence under the mortgage for which the subsidy was  
4 granted is:

5           (a) transferred or conveyed;

6           (b) the property is sold; or

7           (c) the property is vacated by the mortgagor.

8           §4210. Refund of Subsidy Monies. All subsidy monies shall be  
9 returned to the Government through the Corporation. If the property  
10 is transferred, conveyed, sold or vacated by the mortgagor during the  
11 term of the mortgage all such monies will be deposited into the  
12 Corporation Subsidy Fund.

13           §4211. Income Certification. At every anniversary of the loan  
14 closing during the term of the subsidy herein, the borrowers must  
15 certify to the Corporation in writing their most current family income.

16           §4212. Extension of Termination of Subsidy Term. Upon receipt  
17 of the borrowers' income certification, the Corporation shall review the  
18 borrowers' financial condition, and:

19           (a) If the Corporation determines that the borrowers need  
20 the extension of the subsidy, the Corporation may extend the  
21 subsidy term for one additional year only.

22           (b) If the Corporation determines that the borrowers no  
23 longer qualify for the subsidy, the Corporation may terminate the  
24 subsidy.

25           §4213. Corporation Subsidy Fund. There is hereby established a  
26 fund to be known as the "Corporation Subsidy Fund", which shall be  
27 maintained separate and apart from any other funds of the government  
28 of Guam. All monies received by the Corporation from the Government  
29 for payment of the Government's subsidies provided herein shall be  
30 deposited to the Corporation Subsidy Fund and shall be used solely for  
31 the payment of the Government's interest subsidy herein provided.

32           §4214. Qualifications for Interest Subsidy Program. To qualify  
33 for the loan subsidy program, an individual or family must show

1           evidence of rejection from three (3) commercial mortgage lending  
2           institutions and be unable to qualify on the basis of income for the  
3           Corporation's regular lending program."  
4           Section 3. This Act may be cited as Home Loan Subsidy Program of  
5           1989.

TWENTIETH GUAM LEGISLATURE  
1989 (FIRST) Regular Session

ROLL CALL SHEET

Bill No. 677

Date: 9/29/89

Resolution No. \_\_\_\_\_

QUESTION: \_\_\_\_\_

	<u>AYE</u>	<u>NAY</u>	<u>NOT VOTING</u>	<u>ABSENT</u>
J. P. Aguon	✓			
E. P. Arriola	✓			
J. G. Bamba	✓			
M. Z. Bordallo	✓			
D. F. Brooks	✓			
H. D. Dierking	✓			
E. R. Duenas				✓
E. M. Espaldon	✓			
C. T. C. Gutierrez	✓			
P. C. Lujan	✓			
G. Mailloux	✓			
M. D. A. Manibusan	✓			
T. S. Nelson	✓			
D. Parkinson	✓			
F. J. A. Quitugua	✓			
E. D. Reyes	✓			
M. C. Ruth	✓			
J. T. San Agustin	✓			
F. R. Santos	✓			
T. V. C. Tanaka				✓
A. R. Unpingco	✓			

19

2

**Introduced**

TWENTIETH GUAM LEGISLATURE  
1989 (FIRST) Regular Session

MAY 23 '89

Bill No. 677 (COR)

Introduced by:

T. S. Nelson  
C. T.C. Gutierrez *CG*

AN ACT TO AMEND PARAGRAPH (c) OF §4103: TO REPEAL AND REENACT PARAGRAPH (a) OF §4201: TO ADD A NEW PARAGRAPH (i) TO §4201: AMEND §4204: TO AMEND §§4208 AND 4210: TO ADD A NEW §4214 ALL OF TITLE 12 GUAM CODE ANNOTATED TO INCREASE THE HOME CONSTRUCTION AND LAND PURCHASE LOAN PROGRAM AND TO PROVIDE INTEREST SUBSIDY ON LOANS AUTHORIZED BY THE GUAM HOUSING CORPORATION.

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

2 Section 1. Paragraph (c) of §4103 of 12 GCA is hereby amended  
3 to read:

4 "(c) To encourage and engage in low and moderate income  
5 housing activities, including development of residential  
6 subdivisions, construction of housing for rental or resale,  
7 and to make loans to any person for the purchase,  
8 construction, improvement or repair of a home. All loans  
9 so made shall be of such sound value or so secured as  
10 reasonably to assure repayment, taking into consideration  
11 the policy of the Legislature that the lending powers of  
12 the Housing Corporation shall be administered as a means  
13 for accomplishing the purpose stated in §4101 of this Chapter,  
14 and shall bear interest at a rate to be determined by the  
15 Board of Directors of the Guam Housing Corporation but not  
16 exceeding the Federal Housing Administration rate. Loans  
17 should be made to the residents of Guam to enable them to  
18 purchase or construct permanent homes which are typhoon  
19 resistant. All loans for the purchase or construction of  
20 such homes shall not exceed [Sixty Thousand Dollars (\$60,000)]  
21 Ninety Thousand Dollars (\$90,000). An additional sum not

1 to exceed [Ten Thousand Dollars (\$10,000)] Twenty Five  
2 Thousand Dollars (\$25,000) may be borrowed for the purchase  
3 of land upon which the building is to be constructed. Loans  
4 shall be given only to residents who have been unable to  
5 obtain conventional financing from commercial lending  
6 institutions including but not limited to banks and savings  
7 and loan associations. At least three (3) written loan  
8 refusals from commercial lending institutions shall be  
9 presented upon application for a Guam Housing Corporation  
10 loan."

11 Section 2. Paragraph (a) of §4201 of 12 GCA is hereby  
12 repealed and reenacted to read:

13 "(a) "Adjusted annual income" means the total family  
14 income less five percent (5%) of such total family income  
15 less [Three Hundred Dollars (\$300)] Five Hundred Dollars  
16 (\$500) for each dependent.

17 Section 3. A new Paragraph (i) is hereby added to §4201  
18 of 12 GCA to read:

19 "(i) 'Dependent' shall mean any child or individual  
20 for whom the head of household has legal guardianship and  
21 who is under the age of eighteen (18) years, and for any  
22 child or person who has not attained the age of twenty-five  
23 (25) years, provided, however, that the child or individual  
24 is a full time student, or any person for whom the head  
25 of household has an obligation to provide financial support  
26 because of mental or physical inability."

27 Section 4. §4204 of 12 GCA is hereby amended to read:

28 "\$4204. Loans Made Under the Subsidy Program. Loans  
29 made by the Corporation under the subsidy program shall  
30 bear interest at a rate equal to the prevailing [Federal  
31 Housing Administration] Guam Housing Corporation rate."

32 Section 5. §4208 of 12 GCA is hereby amended to read:

33 "\$4208. Subsidy Schedule. There is hereby established  
34 the following subsidy schedule to which this Article applies.  
35 The rate of the government subsidy shall be in accordance

1 with the schedule subject to the limitations set forth in  
2 §4205. The initial subsidy shall depend on each instance  
3 on the Corporation's prevailing [FHA] rate at the time a  
4 loan is made."

5 Section 6. §4210 of 12 GCA is hereby amended to read:

6 "§4210. Refund of Subsidy Monies. All subsidy monies  
7 shall be returned to the Government through the Corporation.  
8 If the property is sold, transferred, conveyed, or vacated  
9 during the term of the mortgage all such monies will be  
10 deposited into the Corporation Subsidy Fund."

11 Section 6. A new §4214 is hereby added to 12 GCA to read:

12 "§4214. Qualifications. To qualify for the loan subsidy  
13 program, an individual must submit to the Corporation at  
14 least three (3) written loan refusals from commercial lending  
15 institutions to qualify for the loan subsidy program."



# 20th Guam Legislature

P.O. Box GL, Agana, Guam 96810 • (671) 472-3436/3488  
Fax: (671) 477-3450

20-109

Senator **GORDON MAILLOUX**

Chairman, Committee on Housing and Community Development  
Vice-Chairman on the committee on Health, Welfare and Ecology  
Member of the Committees on:  
General Governmental Operation  
Economic Development  
Justice, Judiciary & Criminal Justice  
Energy, Utilities and Consumer Protection  
Youth, Human Resources, Senior Citizen & Cultural Affairs

September 26, 1989

Ethics  
Honorable Joe T. San Agustin  
Speaker  
Twentieth Guam Legislature  
163 Chalan Santo Papa  
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Housing and Community Development, to which was referred Bill No. 677, "AN ACT TO AMEND §4203(c) OF 12 GCA, TO AMEND ARTICLE 2 OF 12 GCA CHAPTER 4, ALL PERTAINING TO THE ACTIVITIES OF THE GUAM HOUSING CORPORATION AND TO CITE THE ACT AS THE HOME LOAN SUBSIDY PROGRAM OF 1989," do recommend that the Bill, as Substituted, be passed by the Twentieth Guam Legislature.

Votes of the Committee Members are as follow:

To Do Pass	<u>12</u>
To Not Pass	<u>0</u>
To Report Out Only	<u>0</u>
To Place in Inactive File	<u>0</u>
Abstain	<u>0</u>
Not Available for Voting	<u>0</u>

A copy of the Committee Report and other pertinent documents are enclosed for your perusal.

Sincerely,

*Gordon Mailloux*  
GORDON MAILLOUX

Enclosures



COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
VOTE SHEET ON SUBSTITUTE BILL NO. 677

AN ACT TO AMEND §4203(c) OF 12 GCA, TO AMEND ARTICLE 2 OF 12 GCA CHAPTER 4, ALL PERTAINING TO THE ACTIVITIES OF THE GUAM HOUSING CORPORATION, AND TO CITE THE ACT AS THE HOME LOAN SUBSIDY PROGRAM OF 1989.

WITH THE RECOMMENDATION TO DO PASS

<u>COMMITTEE MEMBERS</u>	<u>TO DO PASS</u>	<u>NOT TO PASS</u>	<u>INACTIVE FILE</u>	<u>ABSTAIN</u>	<u>OTHER</u>
<u><i>D. Mailloux</i></u> Gordon Mailloux, Chairperson	✓				
<u><i>Madeleine Z. Bordallo</i></u> Madeleine Z. Bordallo, Vice Chairperson	✓				
<u><i>John P. Aguon</i></u> John P. Aguon, Member	✓				
<u><i>Elizabeth P. Arriola</i></u> Elizabeth P. Arriola, Member	✓				
<u><i>Pilar C. Lujan</i></u> Pilar C. Lujan, Member	✓				
<u><i>Ted S. Nelson</i></u> Ted S. Nelson, Member	✓				
<u><i>Don Parkinson</i></u> Don Parkinson, Member	✓				
<u><i>Eddie D. Reyes</i></u> Eddie D. Reyes, Member	✓				
<u><i>Frank R. Santos</i></u> Frank R. Santos, Member	✓				
<u><i>Joe T. San Agustin</i></u> Joe T. San Agustin, Speaker & Ex Officio	✓				
<u><i>J. George Bamba</i></u> J. George Bamba, Member	✓				
<u><i>Marilyn D.A. Manibusan</i></u> Marilyn D.A. Manibusan, Member	✓ <i>mdm</i> 9/26/89				

COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
REPORT ON BILL NO. 677

AN ACT TO AMEND PARAGRAPH (c) OF §4103, TO REPEAL AND REENACT PARAGRAPH (a) OF §4201, TO ADD A NEW PARAGRAPH (i) TO §4201, TO AMEND §4204, TO AMEND §§4208 AND 4210, TO ADD A NEW §4214 ALL OF TITLE 12 GUAM CODE ANNOTATED TO INCREASE THE HOME CONSTRUCTION AND LAND PURCHASE LOAN PROGRAM AND TO PROVIDE INTEREST SUBSIDY ON LOANS AUTHORIZED BY THE GUAM HOUSING CORPORATION. [Attachment 1]

Introduced by  
Senators Ted S. Nelson, and Carl T.C. Gutierrez

PREFACE:

The Committee on Housing and Community Development, to which was referred Bill No. 677, "An act to amend Paragraph (c) of §4103, to repeal and reenact Paragraph (a) of §4201, to add a new Paragraph (i) to §4201, amend §4202, to amend §§4208 and 4210, to add a new §4212 all of Title 12 Guam Code Annotated to increase the home construction and land purchase loan program and to provide interest subsidy on loans authorized by the Guam Housing Corporation," on Wednesday, September 20, 1989 at 9:00 a.m. in the Legislative Session Hall.

Committee members present were Senator Gordon Mailloux, Chairman, and Senators Ted S. Nelson, Martha C. Ruth, and Pilar C. Lujan.

NOTIFICATION:

Letters of notification were sent to the Governor, the President, Guam Housing Corporation, to the Committee members, the news-media and the general public.

TESTIMONY:

Appearing before the Committee was Mr. Peter J. Leon Guerrero, President, Guam Housing Corporation. Mr. Leon Guerrero testified that Guam Housing fully supports the intent of Bill No. 677. He went on to say that Guam Housing Corporation recognizes the need to increase their lending limit to address the increasing housing costs. Mr. Leon Guerrero also added that amendments to the Corporation's loan subsidy program must be instituted prior to the program's implementation. Mr. Leon Guerrero also informed the Committee that similar legislation was heard by the Committee and that a consolidation of both bills will strengthen the program.

In concluding his remarks, Mr. Leon Guerrero emphasized that revisions to the Corporation's lending program are necessary and should be more comprehensive and urged the Committee to consider submitting a comprehensive lending program to the Legislature for consideration and passage.

There being no further witnesses, the Chairman adjourned the Committee hearing on Bill No. 677.

COMMITTEE FINDINGS:

The Committee on Housing and Community Development, to which was referred Bill No. 677, finds that:

1. The intent of Bill No. 677 is to encourage and engage in low moderate income housing activities, including development of residential subdivisions, construction of housing for rental or resale, and to make loans to qualified applicants for the purchase, construction, improvement or home repair.
2. There exists a need to increase the lending limit for the construction of homes. The increase will allow Guam Housing Corporation to provide families with the appropriate financing for homes.
3. Bill No. 677 addresses the need by Guam Housing Corporation to adjust its lending limits to reflect the current real estate prices and construction costs and it will make changes to the Government Loan Subsidy Program that will allow the Corporation to carry out the legislative intent of the law.
4. The Committee on Housing and Community Development, recognizing the need to assist the island's residents, hereby requests the members of the Legislature to act favorably on Bill No. 677, substituted by the Committee.

SECTION ANALYSIS:

Please refer to Page 3 entitled "Profile on Substitute Bill No. 677."

COMMITTEE RECOMMENDATION:

The Committee on Housing and Community Development, to which was referred Bill No. 677, "An act to amend Paragraph (c) of §4103, to repeal and reenact Paragraph (a) of §4201, to add a new Paragraph (i) to §4201, to amend §4204, to amend §§4208 and 4210, to add a new §4214 all of Title 12 Guam Code Annotated to increase the home construction and land purchase loan program and to the provide interest subsidy on loans authorized by the Guam Housing Corporation," has had the same under consideration, and now wishes to report back the same with the recommendation to do pass as substituted by the Committee.

**PROFILE ON SUBSTITUTE BILL NO. 677**

Brief Title: "The Home Loan Subsidy Program of 1989."

Main Sponsors: Senators Ted S. Nelson, Carl T.C. Gutierrez, and Gordon Mailloux.

Date Introduced: Tuesday, May 23, 1989.

Assigned Committee: Referred to the Committee on Housing and Community Development on Monday, May 22, 1989.

Public Hearing: The Committee on Housing and Community Development, to which was referred Bill No. 677, conducted a public hearing on Wednesday, September 20, 1989 at 9:00 a.m. in the Legislative Session Hall.

Recommendation: To do pass as substituted by the Committee.

Co-Sponsors: Senators Herminia D. Dierking, Joe T. San Agustin, John P. Aguon, Elizabeth P. Arriola, Madeleine Z. Bordallo, Pilar C. Luian, Don Parkinson, Franklin J.A. Quituqua, Eddie D. Reyes, and Frank R. Santos.

Official Title: "An act to amend §4103(c), to amend Article 2 of 12 GCA Chapter 4, to amend §4201(a) and to add a new §4201(i), to amend §§ 4202 - 4213, and to add a new §4214, all pertaining to the activities of the Guam Housing Corporation, and to cite the Act as the Home Loan Subsidy Program of 1989."

**SECTION ANALYSIS**

Section 1. Amends §4103(c) of 12 GCA. The purpose for the changes is to raise Guam Housing Corporation's lending limit. This amendment proposes to raise the lending limit for the construction of a home to \$75,000. This increase will allow Guam Housing to provide families with the financing for a home of appropriate dimensions. Without the increase in the lending limit, many families will be forced to build smaller homes than they need just to remain within the limit.

The other change increases the lending limit for the purchase of the property. Land prices have risen sharply in the last four (4) years. The increase is justified evidenced by the ever increasing real estate prices.

Section 2. Amends Article 2, Chapter 4, of 12 Guam Code Annotated. In short, this section makes changes to the Loan Subsidy Program administered by the Corporation. A closer look at the amendments contained in Section 2 reveals that since the enactment of the Loan Subsidy, consumers were faced with prime interest rates of 21.50% double digit inflation and income levels far below those of their stateside counterparts.

Today, although interest rates are almost half at what they were in 1980 and incomes have increased accordingly, housing costs have sky rocketed to almost four times what they were in 1980. The main reason the Subsidy Program was enacted in 1980 was because of inflation and high interest rates. The Subsidy Program is much more needed now because income levels have not kept up with the rising housing prices.

The amendment redefining the adjusted amount for each dependent and to increase the amount quantifies the cost of a dependency. This figure is consistent with that of the Farmers Home Administration standards.

The addition and definition of the term dependent is also added to the Act. The previous definition was too restrictive and was amended to include not only children under the age of 19 years, but also students, handicapped children, and dependent parents.

The amendments contained in §4202 are designed to protect the collateral interest that the Corporation has in the financed property. Loans made under this provision pose a significant financial risk to Guam Housing. Not only are the customers who qualify under this program unable to obtain conventional financing, they are also unable to qualify for Guam Housing's regular program.

The first change is a change in the Loan to Value (LTV) Ratio from 97% to 80%. In the event the Guam Housing needs to foreclose on the property chance that loses will occur on the sale are very high especially if the LTV remains at 97%. The 80% LTV is still riskier than most financial institutions who will loan at no higher than 70% but the risk at 80% is still manageable. If current standards that banks use are considered, none of these applicants would qualify at any LTV.

The other change involves the minimum living area of the home. If a home is too small and the loan becomes distressed, the marketability is affected. This amendment would insure that certain minimum standards should be met for each type of home constructed or purchased.

Since the Federal Housing Administration (FHA) no longer sets interest rates, the words Guam Housing Corporation are substituted for the FHA interest rates. This would limit the Subsidy loan rates to the Corporation's regular lending program.

Changes in the qualifying income levels are important to reflect current income standards. There are four subsidy levels which are contingent upon certain income levels. The maximum subsidy is any income below 80% of the HUD median income. The minimum subsidy level is at the median income level. No one earning more than the HUD established median income may qualify for a loan under this chapter. The amendments also allow Guam Housing to change the income levels by the same percentage change in the HUD guidelines. This way if HUD changes their figures periodically, Guam Housing's income level will automatically change by the same percentage. These amendments will mandate that qualifying levels change when their median income changes.

The Subsidy Program is intended to help families own their home. If the property is vacated by the mortgagor by either abandonment or leasing to a third party the subsidy should be terminated and the funds used to assist these whom the law was intended to help should be returned.

Since the purpose of the Subsidy Program is to give qualifying participants a break until their ability to pay catches up with their payments, measures must be built in to prevent abuse. The change to this section ensures that the subsidy can only be continued for one additional year and no longer.

The amendment to §4214 ensures that funds appropriated to the Corporation will be used for the needy. This new section will prevent those who qualify at private institutions or through the Corporation's regular lending program from qualifying for a subsidy.

Section 3. Cites or makes reference to the Act as "The Home Loan Subsidy Program of 1989."

TWENTIETH GUAM LEGISLATURE  
1989 (FIRST) Regular Session

Bill No. 677  
Substituted by the Committee  
on Housing and Community Development

Introduced by:

T. S. Nelson ✓  
C. T.C. Gutierrez  
G. Mailloux ✓  
H. D. Dierking  
J. T. San Agustin ✓  
J. P. Aquon  
E. P. Arriola  
M. Z. Bordallo  
P. C. Lujan  
D. Parkinson  
F. J.A. Quituqua  
E. D. Reyes  
F. R. Santos

*M.P. Manibusan Gdm*

AN ACT TO AMEND §4103(c) OF 12 GCA, TO AMEND  
ARTICLE 2 OF 12 GCA CHAPTER 4, ALL PERTAINING  
TO THE ACTIVITIES OF THE GUAM HOUSING  
CORPORATION, AND TO CITE THE ACT AS THE  
HOME LOAN SUBSIDY PROGRAM OF 1989.

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

2 Section 1. §4103(c) of 12 GCA is hereby amended to read:

3 "§4103(c). To encourage and engage in low and moderate  
4 income housing activities, including development of  
5 residential subdivisions, construction of housing for rental  
6 or resale, and make loans to any person for the purchase,  
7 construction, improvement or repair of a home. All loans  
8 so made shall be of such sound value or so secured as  
9 reasonably to assure repayment, taking into consideration  
10 the policy of the Legislature that the lending powers of  
11 the Housing Corporation shall be administered as a means  
12 for accomplishing the purposes stated in §4101 of this  
13 Chapter, and shall bear interest at a rate to be determined  
14 by the Board of Directors of the Guam Housing Corporation  
15 but not to exceed two percent (2%) above the cost of funds  
16 until June 1, 1987, and thereafter, the rate shall not  
17 exceed the Federal Housing Administration rate.

1           Loans should be made to the residents of Guam to enable  
 2           them to purchase or construct permanent homes which are  
 3           typhoon resistant. All loans for the purchase or  
 4           construction of such homes shall not exceed [Sixty Thousand  
 5           Dollars (\$60,000).] Seventy Five Thousand Dollars (\$75,000).  
 6           An additional sum of not to exceed [Ten Thousand Dollars  
 7           (\$10,000)] Twenty Five Thousand Dollars (\$25,000) may be  
 8           borrowed for the purchase of land upon which the building  
 9           is to be constructed. If the borrower already owns land  
 10           upon which to construct a building, the [Ten Thousand Dollars  
 11           (\$10,000)] Twenty Five Thousand Dollars (\$25,000) to be  
 12           applied to purchase land may be applied for purchase or  
 13           construction of a building. Loans shall be given only  
 14           to residents who have been unable to obtain conventional  
 15           financing from commercial lending institutions including  
 16           but not limited to banks and savings and loan associations.  
 17           At least three (3) written loan refusals from commercial  
 18           lending institution shall be presented upon application  
 19           for a Guam Housing Corporation loan."

20           Section 2. Article 2 of 12 GCA Chapter 4 is amended to  
 21           read:

22   "Article 2

23   Government Loan Subsidy Act

- 24           \$4201.       Definitions.
- 25           \$4202.       Loans by the Corporation. [(for constructions  
26   of homes).]
- 27           \$4203.       Vacant.
- 28           \$4204.       Loans Made Under the Subsidy Program.
- 29           \$4205.       Interest Subsidy for Low and Moderate Income  
30   Families.
- 31           \$4206.       Government Subsidy Rate and Term Thereof.
- 32           \$4207.       Limitation on Government Subsidy Rate.
- 33           \$4208.       Subsidy Schedule.
- 34           \$4209.       Termination of Subsidy.
- 35           \$4210.       Refund of Subsidy Monies.
- 36           \$4211.       Income Certification.



1 §4212. Extension of Termination of Subsidy Term.

2 §4213. Corporation Subsidy Fund.

3 §4214. Qualifications for Interest Subsidy Program.

4 §4201. Definitions. As used in this Article:

5 (a) "Adjusted annual income" means the total  
6 family income less five percent (5%) of such total  
7 family income less [Three Hundred Dollars (\$300)]  
8 Four Hundred Eighty Dollars (\$480) for each dependent,  
9 [under twenty (20) years of age.]

10 (b) "Board" means the Board of Directors of  
11 the Guam Housing Corporation.

12 (c) "Corporation" means the Guam Housing  
13 Corporation.

14 (d) "Family Income" means the total annual income  
15 derived from all sources for each member of the family.

16 (e) "Government" means the government of Guam.

17 (f) "Family" means two (2) or more persons related  
18 by blood or marriage, living together as a household.

19 (g) "Interest Subsidy" means interest paid by  
20 the government on each loan made by the Corporation  
21 pursuant to the provisions of this Article.

22 (h) "Loan" means that loan made by the Corporation  
23 to a low or moderate income family pursuant to the  
24 provisions of this Chapter.

25 (i) "Dependent" includes any child or individual  
26 for whom the head of household has legal guardianship  
27 and who is under the age of 19 years; any child or  
28 individual for whom the head of household has legal  
29 guardianship and who is the age of 25 provided the  
30 child or individual is a full time student, or any  
31 individual, child, relative, or parent for whom the  
32 head of household has an obligation to provide financial  
33 support due to reasons of mental or physical incapacity.

34 §4202. Loans by the Corporation. The Housing  
35 Corporation is authorized to make loans under this Chapter  
36 to low and moderate income families for the purchase or

1 construction of their residential homes. All loans made  
2 by the Housing Corporation shall be subject to the following  
3 limitations:

4 (a) The maximum loan authorized for the purchase  
5 or construction of a residential home shall be  
6 [ninety-seven] eighty percent [90%] (80%) of the  
7 appraised value of the property and improvements.

8 (b) The minimum living areas for residential  
9 homes the subject of Housing Corporation loans shall  
10 be [eight hundred thirty (830)] nine hundred (900)  
11 square feet for two (2) bedroom-one-(1) bath homes,  
12 [one thousand (1,000)] one thousand one hundred (1,100)  
13 square feet for three (3) bedroom-one-(1) bath homes,  
14 one thousand two hundred sixty two (1,260) square  
15 feet for three (3) bedroom-two-(2) bath homes, and  
16 [one thousand three hundred eighty (1,380)] one thousand  
17 four hundred (1,400) square feet for four (4)  
18 bedroom-two-(2) bath homes."

19 §4203. Vacant.

20 §4204. Loans Made Under the Subsidy Program. Loans  
21 made by the Corporation under the subsidy program shall  
22 bear interest at [a rate equal to] the prevailing [Federal  
23 Housing Administration] Guam Housing Corporation rate.

24 §4205. Interest Subsidy for Low and Moderate Income  
25 Families. The Government shall provide interest subsidies  
26 to qualified low and moderate income families for home  
27 construction, purchase, repair or improvement loans made  
28 by the Corporation. Subsidies shall be available to each  
29 family based on the family's adjusted income which shall  
30 be determined at the time of application and in accordance  
31 with the subsidy schedule under §4208 of this Article.

32 §4206. Government Subsidy Rate and Term Thereof.  
33 The Government shall provide interest subsidies to qualified  
34 families. The subsidies shall be given in accordance to  
35 the subsidy schedule set forth in §4208 within the limits  
36 as income and maximum subsidy amounts as follows:

1 (a) For families with an adjusted income less than  
 2 [Eleven Thousand Dollars (\$11,000)] Twenty Four Thousand  
 3 One Hundred Dollars (\$24,100), the Government's maximum  
 4 subsidy rate shall be four percent (4%) for the first year;  
 5 four percent (4%) for the second year; three percent (3%)  
 6 for the third year; two percent (2%) for the fourth year;  
 7 and one percent (1%) for the fifth year; and one percent  
 8 (1%) for the fifth year unless otherwise extended or  
 9 terminated by the Corporation.

10 (b) For families with an adjusted income equal to  
 11 or greater than [Eleven Thousand Dollars (\$11,000)] Twenty  
 12 Four Thousand Dollars (\$24,000), but less than [Thirteen  
 13 Thousand Dollars (\$13,000)] Twenty Six Thousand One Hundred  
 14 Dollars (\$26,100), the Government's maximum subsidy rates  
 15 shall be three percent (3%) for the first year; three  
 16 percent (3%) for the second year; two percent (2%) for  
 17 the third year; and one percent (1%) for the fourth year.  
 18 The subsidy shall cease at the end of the fourth year unless  
 19 otherwise extended or terminated by the Corporation.

20 (c) For families with an adjusted income equal to  
 21 or greater than [Thirteen Thousand Dollars (\$13,000)] Twenty  
 22 Six Thousand One Hundred Dollars (\$26,100) but less than  
 23 [Fourteen Thousand Dollars (\$14,000)] Twenty Eight Thousand  
 24 One Hundred Dollars (\$28,100), the Government's maximum  
 25 subsidy rates shall be two percent (2%) for the first year;  
 26 two percent (2%) for the second year; and one percent (1%)  
 27 for the third year. The subsidy shall cease at the end  
 28 of the third year unless otherwise extended or terminated  
 29 by the Corporation.

30 (d) For families with an adjusted income equal to  
 31 or greater than [Fourteen Thousand Dollars (\$14,000)] Twenty  
 32 Eight Thousand One Hundred Dollars (\$28,100), but less  
 33 than [Sixteen Thousand Dollars (\$16,000)] Thirty Thousand  
 34 One Hundred Dollars (\$30,100), the Government's maximum  
 35 subsidy rates shall be one percent (1%) for the first year  
 36 and second years. The subsidy shall cease at the end of

[FHA] <u>Guam Housing Corporation Rate</u>							
		Government Interest Subsidy Schedule					
%		1st	2nd	3rd	4th	5th	6th
		<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
1	16.00	4.00	4.00	3.00	2.00	1.00	.00
2	15.75	4.00	4.00	3.00	2.00	1.00	.00
3	15.50	4.00	4.00	3.00	2.00	1.00	.00
4	15.25	4.00	4.00	3.00	2.00	1.00	.00
5	15.00	4.00	4.00	3.00	2.00	1.00	.00
6	14.75	4.00	4.00	3.00	2.00	1.00	.00
7	14.50	4.00	4.00	3.00	2.00	1.00	.00
8	14.25	4.00	4.00	3.00	2.00	1.00	.00
9	14.00	4.00	4.00	3.00	2.00	1.00	.00
10	13.75	4.00	4.00	3.00	2.00	1.00	.00
11	13.50	4.00	4.00	3.00	2.00	1.00	.00
12	13.25	4.00	4.00	3.00	2.00	1.00	.00
13	13.00	4.00	4.00	3.00	2.00	1.00	.00
14	12.75	4.00	4.00	3.00	2.00	1.00	.00
15	12.50	4.00	4.00	3.00	2.00	1.00	.00
16	12.25	4.00	4.00	3.00	2.00	1.00	.00
17	12.00	4.00	4.00	3.00	2.00	1.00	.00
18	11.75	3.75	3.75	2.75	1.75	.75	.00
19	11.50	3.50	3.50	2.50	1.50	.50	.00
20	11.25	3.25	3.25	2.25	1.25	.25	.00
21	11.00	3.00	3.00	2.00	1.00	.00	.00
22	10.75	2.75	2.75	1.75	.75	.00	.00
23	10.50	2.50	2.50	1.50	.50	.00	.00
24	10.25	2.25	2.25	1.25	.25	.00	.00
25	10.00	2.00	2.00	1.00	.00	.00	.00
26	9.75	1.75	1.75	.75	.00	.00	.00
27	9.50	1.50	1.50	.50	.00	.00	.00
28	9.25	1.25	1.25	.25	.00	.00	.00
29	9.00	1.00	1.00	.00	.00	.00	.00

34 §4209. Termination of Subsidy. The government interest  
35 subsidy under this Article shall automatically terminate if,  
36 during the subsidy term, the residence under the mortgage for  
which the subsidy was granted is:

1 the second year unless otherwise extended or terminated  
2 by the Corporation.

3 (e) In the event the [Federal Housing Administration's]  
4 Guam Housing Corporation's rate decreases below twelve  
5 percent (12%), the initial maximum subsidy rate shall be  
6 reduced to that rate provided for under §4207 of this  
7 Article. The rates in §4205 (b), (c) and (d) shall also  
8 be adjusted by the same number of basis points between  
9 the maximum subsidy level and the rates provided for under  
10 §4207 of this Article. The rate shall be the same the  
11 second year until the rate equals zero.

12 (f) The adjusted Income levels in paragraphs (a),  
13 (b), (c) and (d) of this subsection shall be adjusted  
14 periodically by the percentage change in the median income  
15 for the Territory as established by the U.S. Department  
16 of Housing and Urban Development established at the closing  
17 of each loan, the subsidy level shall be fixed and shall  
18 not be changed regardless of any change in the median income.

19 §4207. Limitation on Government Subsidy Rates. The  
20 Government's subsidy rates shall not exceed four percent  
21 (4%) per annum.

22 §4208. Subsidy Schedule. There is hereby established  
23 the following subsidy schedule to which this Article applies.  
24 The rate of the Government subsidy shall be in accordance  
25 with the schedule subject to the limitations set forth  
26 in §4205. The initial subsidy shall depend on each instance  
27 on the prevailing [FHA] Guam Housing Corporation rate at  
28 the time a loan is made.

29  
30  
31  
32  
33  
34  
35  
36

1           §4210. Refund of Subsidy Monies. All subsidy monies shall  
2 be returned to the Government through the corporation. If the  
3 property is transferred, conveyed, sold or vacated by mortgagor  
4 during the term of the mortgage all such monies will be deposited  
5 into the Corporation Subsidy Fund.

6           §4211. Income Certificate. At every anniversary of the  
7 loan closing during the term of the subsidy herein, the borrowers  
8 must certify to the Corporation in writing their most current  
9 family income.

10          §4212. Extension of Termination of Subsidy Term. Upon  
11 receipt of the borrower's income certification, the Corporation  
12 [will] shall review the borrower's financial condition, and:

13           (a) If the Corporation determines that the borrowers  
14 need the extension of the subsidy, the Corporation may  
15 extend the subsidy term for [an] one additional year only.

16           (b) If the Corporation determines that the borrowers  
17 no longer qualify for the subsidy, the Corporation may  
18 terminate the subsidy.

19          §4213. Corporation Subsidy Fund. There is hereby  
20 established a fund to be known as the "Corporation Subsidy Fund",  
21 which shall be maintained separate and apart from any other  
22 funds of the government of Guam. All monies received by the  
23 Corporation from the Government for payment of the government's  
24 subsidies provided herein shall be deposited to the Corporation  
25 Subsidy Fund and shall be used solely for the payment of the  
26 Government's interest subsidy herein provided.

27          §4214. Qualifications for Interest Subsidy Program. To  
28 qualify for the loan subsidy program, an individual or family  
29 must show evidence of rejection from three (3) commercial mortgage  
30 lending institutions and be unable to qualify on the basis of  
31 income for Guam Housing Corporation's regular lending program."

32          Section 3. This Act may be cited as Home Loan Subsidy  
33 Program of 1989.

TWENTIETH GUAM LEGISLATURE  
1989 (FIRST) Regular Session

Bill No. 677

Introduced by:

T. S. Nelson  
C. T.C. Gutierrez *CG*

AN ACT TO AMEND PARAGRAPH (c) OF §4103: TO REPEAL AND REENACT PARAGRAPH (a) OF §4201: TO ADD A NEW PARAGRAPH (i) TO §4201: AMEND §4204: TO AMEND §§4208 AND 4210: TO ADD A NEW §4214 ALL OF TITLE 12 GUAM CODE ANNOTATED TO INCREASE THE HOME CONSTRUCTION AND LAND PURCHASE LOAN PROGRAM AND TO PROVIDE INTEREST SUBSIDY ON LOANS AUTHORIZED BY THE GUAM HOUSING CORPORATION.

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

2 Section 1. Paragraph (c) of §4103 of 12 GCA is hereby amended  
3 to read:

4 "(c) To encourage and engage in low and moderate income  
5 housing activities, including development of residential  
6 subdivisions, construction of housing for rental or resale,  
7 and to make loans to any person for the purchase,  
8 construction, improvement or repair of a home. All loans  
9 so made shall be of such sound value or so secured as  
10 reasonably to assure repayment, taking into consideration  
11 the policy of the Legislature that the lending powers of  
12 the Housing Corporation shall be administered as a means  
13 for accomplishing the purpose stated in §4101 of this Chapter,  
14 and shall bear interest at a rate to be determined by the  
15 Board of Directors of the Guam Housing Corporation but not  
16 exceeding the Federal Housing Administration rate. Loans  
17 should be made to the residents of Guam to enable them to  
18 purchase or construct permanent homes which are typhoon  
19 resistant. All loans for the purchase or construction of  
20 such homes shall not exceed [Sixty Thousand Dollars (\$60,000)]  
21 Ninety Thousand Dollars (\$90,000). An additional sum not

5, 2/89

1 to exceed [Ten Thousand Dollars (\$10,000)] Twenty Five  
2 Thousand Dollars (\$25,000) may be borrowed for the purchase  
3 of land upon which the building is to be constructed. Loans  
4 shall be given only to residents who have been unable to  
5 obtain conventional financing from commercial lending  
6 institutions including but not limited to banks and savings  
7 and loan associations. At least three (3) written loan  
8 refusals from commercial lending institutions shall be  
9 presented upon application for a Guam Housing Corporation  
10 loan."

11 Section 2. Paragraph (a) of §4201 of 12 GCA is hereby  
12 repealed and reenacted to read:

13 "(a) "Adjusted annual income" means the total family  
14 income less five percent (5%) of such total family income  
15 less [Three Hundred Dollars (\$300)] Five Hundred Dollars  
16 (\$500) for each dependent.

17 Section 3. A new Paragraph (i) is hereby added to §4201  
18 of 12 GCA to read:

19 "(i) 'Dependent' shall mean any child or individual  
20 for whom the head of household has legal guardianship and  
21 who is under the age of eighteen (18) years, and for any  
22 child or person who has not attained the age of twenty-five  
23 (25) years, provided, however, that the child or individual  
24 is a full time student, or any person for whom the head  
25 of household has an obligation to provide financial support  
26 because of mental or physical inability."

27 Section 4. §4204 of 12 GCA is hereby amended to read:

28 "§4204. Loans Made Under the Subsidy Program. Loans  
29 made by the Corporation under the subsidy program shall  
30 bear interest at a rate equal to the prevailing [Federal  
31 Housing Administration] Guam Housing Corporation rate."

32 Section 5. §4208 of 12 GCA is hereby amended to read:

33 "§4208. Subsidy Schedule. There is hereby established  
34 the following subsidy schedule to which this Article applies.  
35 The rate of the government subsidy shall be in accordance



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15

with the schedule subject to the limitations set forth in §4205. The initial subsidy shall depend on each instance on the Corporation's prevailing [FHA] rate at the time a loan is made."

Section 6. §4210 of 12 GCA is hereby amended to read:

"§4210. Refund of Subsidy Monies. All subsidy monies shall be returned to the Government through the Corporation. If the property is sold, transferred, conveyed, or vacated during the term of the mortgage all such monies will be deposited into the Corporation Subsidy Fund."

Section 6. A new §4214 is hereby added to 12 GCA to read:

"§4214. Qualifications. To qualify for the loan subsidy program, an individual must submit to the Corporation at least three (3) written loan refusals from commercial lending institutions to qualify for the loan subsidy program."

TESTIMONY ON BILL NO. 677 BEFORE THE  
COMMITTEE ON HOUSING & COMMUNITY DEVELOPMENT  
20TH GUAM LEGISLATURE  
The Honorable Gordon Mailloux, Chairman

Submitted by:

Peter J. Leon Guerrero  
President, Guam Housing Corporation  
September 20, 1989

Mr. Chairman, and members of the Committee on Housing & Community Development, I am Peter J. Leon Guerrero, President of Guam Housing Corporation, appearing before you today to offer comments on Bill No. 677.

Guam Housing Corporation fully supports the intent of Bill No. 677 in trying to provide housing opportunities for our people. We thank the bill's author and commend him for his efforts on behalf of those of our residents who aspire towards homeownership and for whom homeownership remains beyond reasonable reach. Clearly, action must be taken and soon.

GHC recognizes the need to increase our lending limit to address increasing housing costs. Also, amendments to GHC's loan subsidy program must be instituted prior to the program's implementation. While we agree that these matters require the attention of this body we are concerned over some of the provisions and the lack of other provisions in Bill No. 677.

As you may recall, back in June of this year GHC's Manager, Ernie Merfalen offered testimony in favor of Bill 683. This bill accomplishes both objectives of Bill 677. In our opinion Bill 683 not only addresses the concerns outlined in Bill 677, but goes one step further by updating income figures developed back in 1981 by HUD and by developing a mechanism to change income levels as the median income changes. Bill 683 also ensures that the subsidy funds will be used only by the truly needy; those who not only do not qualify for commercial financing but also those who do not qualify for GHC's regular lending program.

Another important change that bill 683 makes that bill 677 doesn't is a change to allow the subsidy to continue for only one additional year. The purpose of subsidy loan program is to allow low income borrowers to secure a fixed loan rate with government assistance until such time each borrowers income catches up with their ability to pay.


GHC also favors Bill 683 over Bill 677 since Bill 683 reduces the loan to value (LTV) ratio from 97% to 80%. The LTV is the risk factor by which mortgage lenders determine the loss potential on a mortgage loan; the higher the LTV the greater the risk of loss. Since these loans are already very risky because the clientele are low income borrowers, not reducing risk by reducing the LTV could create large financial losses should GHC need to foreclose on the loan in the future.

Bill 683 also keeps the language of the existing law intact by allowing those who are purchasing an existing home to borrow up to the combined lending limits for the construction of the dwelling and the purchase of land. This is an important part of our existing program not provided for in Bill No. 677.

There also appears to be a serious technical flaw in this bill in that the Section 4103(c) cited is taken from legislation that has since been amended.

Revisions to GHC's lending program are necessary and should be more comprehensive than what is provided for in Bill No. 677. We testified in June of this year on just such a measure and respectfully request that Bill No. 683 be reported out and acted on by the Legislature.

Mr. Chairman, thank you for the opportunity to comment on this measure. Should the Committee have questions or concerns I will respond as best as I can at this time.



PETER J. LEON GUERRERO

TESTIMONY ON BILL NO. 683 BEFORE THE  
COMMITTEE ON HOUSING & COMMUNITY DEVELOPMENT  
20th Guam Legislature  
The Honorable Gordon Mailloux, Chairman

Submitted by:  
Ernie A. Merfalen  
Acting President, Guam Housing Corporation  
June 14, 1989

Mr. Chairman, and members of the Committee on Housing and Community Development, I am Ernie A. Merfalen, Manager of Guam Housing Corporation. I am offering comments in favor of Bill No. 683.

Bill 683 would accomplish two main purposes. It will address the need by GHC to adjust its lending limits to reflect current real estate prices and construction costs and it will make changes to the Government Loan Subsidy Program that will allow GHC to carry out the legislative intent at the law.

Changes to 12 GCA 4103 (c)

The purpose for the changes to 12 GCA 4103 (c) is to raise the GHC lending limit. A survey conducted by GHC in March of 1989 revealed that construction costs on basic design typhoon proof homes range from \$70,000 to \$80,000. This legislation proposes to raise the lending limit for the construction of a home to \$75,000. This increase will allow GHC to provide families with the financing for a home of appropriate dimensions. Unless the limit is adjusted many families will be forced to build smaller homes than they need to remain within the lending limit.

The other change to this subsection involves the increase in the lending limit for the purchase of the property. Land prices have risen sharply in the last four years. A survey done in May, 1989 revealed that the median price of the lots surveyed was between \$28.02 and \$30.64 per square meter. The average is \$120.87 per square meter based on today's prices. We believe that an increase in the lending limit for the purchase of the lot from \$10,000 to \$25,000 is not only justified but critically needed. Under the current lending limit of \$10,000 we've discovered that borrowers who build homes either have to secure outside funding sources such as from relatives to obtain the lot to build their home. Those who don't have relatives with money or land will likely be left out in the cold.

CHANGES TO THE LOAN SUBSIDY ACT  
ARTICLE 20C 12 GCA CHAPTER 4

Historical Perspective

In 1980 and 1981 when the Loan Subsidy Act was first created, Guam consumers were faced with prime interest rates of 21.50%, double digit inflation and income levels far below those of their stateside counterparts.

Today, although interest rates are almost half at what they were in 1980 and incomes have increased accordingly, housing costs have sky rocketed to almost four times what they were in 1980. Today homes built for \$40,000 in 1980 can sell for \$160,000 or more.

The main reason for the Subsidy Act in 1980 was inflation and high interest rates. Today, the Subsidy is just as much need as it was in 1980 because income levels have not kept up with rising housing prices.

The Governor is proposing several technical changes that GHC supports, to the existing law to address current conditions. Changes must be made to sections pertaining to current income levels and current housing costs to ensure the practical application of the law assisting the segment of the community the legislation was intended to help which is the lower moderate income segment.

Subsection 4201 Definitions:

(a) Adjusted Annual Income. GHC supports the proposed changes in the adjustment amount for each dependent to arrive at an Adjusted Income for purposes of this Article. The \$300 figure that currently exist was developed in 1980. The \$480 proposed change would more adequately quantify the cost of a dependency. This figure is the same as the current FmHA standard.

(i) We also support the proposal to add a new definition to define a dependent as any person who, by necessity, is required to subsist on the household income. The previous definition was too restrictive and should be amended to include not only children under 19 but also students, handicapped children, and dependent parents.

Subsection 4202 Loans by the Corporation

GHC supports the proposed changes to this section to protect the collateral interest that GHC has in the financed property. Loans made under this chapter pose a significant financial risk to GHC. Not only are the customers who qualify under this program unable to obtain conventional financing, they are also unable to qualify for GHC's regular program.

The first change is a change in the Loan to Value Ratio (LTV) from 97% to 80%. In the event GHC needs to foreclose on the property chance that loses will occur on the sale are very high especially if the LTV remains at 97%. The 80% LTV is still riskier than most financial institutions who will loan at no higher than 70% but the risk at 80% is still manageable. If current standards that banks use are considered, none of these applicants would qualify at any LTV.

The other change to this section involves the minimum living area of the home. If a home is too small and the loan becomes distressed, the marketability is affected. A survey of GHC's contractors done in March of this year indicate that certain minimum standards should be met for each type of home constructed or purchased.

4202 Loans made under the Subsidy Program

The words Guam Housing Corporation are substituted for Federal Housing Administration (FHA) since the FHA no longer sets interest rates, the phrase "a rate equal to"



was removed since GHC's rate varies depending on the purpose or term at the loan. We support this proposal since it would limit the Subsidy loan rates to those of GHC's regular lending program.

4206 Government Subsidy Rate & Term thereof

Changes in the qualifying income levels are important to reflect current income standards. There are four subsidy levels which are contingent upon certain income levels. The maximum subsidy is any income below 80% of the HUD median income. The minimum subsidy level is at the median income level. No one earning more than the HUD established median income may qualify for a loan under this chapter. The amendments also allow GHC to change the income levels by the same percentage change in the HUD guidelines. This way if HUD changes their figures periodically, GHC's income levels will automatically change by the same percentage. GHC supports these amendments since they will mandate that qualifying levels change when their median income changes.

4209 Termination of Subsidy 4210 Refund of Subsidy Monies

The Subsidy Act is intended to help families to own their own home. If the property is vacated by the mortgagor by either abandonment or leasing to a third party the subsidy should be terminated and the funds used to

Page 6

assist these whom the law was intended to help should be returned. We are in favor of those change since it limits subsidy funds to those who are financing a home for their own use, not for rental purposes.


4212 Extension of Termination of Subsidy

Since the purpose of the Subsidy Act is to give qualifying participants a break until their ability to pay catches up with their payments, measures must be built in to prevent abuse. The change to this section ensures that the subsidy can only be continued for one additional year and no longer.

4214 Qualifications for Interest Subsidy Program

Addition of this section ensures that funds appropriated under this Chapter will be used for the truly needy. This new section will prevent those who qualify at private institutions or through GHC's regular lending program from qualifying for a Subsidy.

Mr. Chairman, thank you for the opportunity to comment on this measure. Should the Committee have questions or concerns I will respond as best as I can at this time.

  
ERNIE A. MERFALEN

Introduced

TWENTIETH GUAM LEGISLATURE  
1989 (First) Regular Session

MAY 23 '89

Bill No. 683 (cor.)

Introduced by:

*D*  
HERMINIA D. DIERKING  
Committee on Rules  
At the request of the  
Governor

AN ACT TO AMEND 12 GCA 4103(c) AND AMEND  
ARTICLE 2 OF 12 GCA CHAPTER 4 RELATIVE TO  
THE AUTHORIZED ACTIVITIES OF GUAM HOUSING  
CORPORATION.

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

2 Section 1. 12 GCA 4103(c) is amended to read:

3 "\$4103(c). To encourage and engage in low and  
4 moderate income housing activities, including  
5 development of residential subdivisions, construction  
6 of housing for rental or resale, and make loans to any  
7 person for the purchase, construction, improvement or  
8 repair of a home. All loans so made shall be of such  
9 sound value or so secured as reasonably to assure  
10 repayment, taking into consideration the policy of the  
11 Legislature that the lending powers of the Housing  
12 Corporation shall be administered as a means for  
13 accomplishing the purposes stated in §4101 of this  
14 Chapter, and shall bear interest at a rate to be  
15 determined by the Board of Directors of the Guam

1 Housing Corporation but not exceed two percent (2%)  
2 above the cost of funds until June 1, 1987, and  
3 thereafter, the rate shall not exceed the Federal  
4 Housing Administration rate.

5 Loans should be made to the residents of Guam to  
6 enable them to purchase or construct permanent homes  
7 which are typhoon resistant. All loans for the  
8 purchase or construction of such homes shall not  
9 exceed [Sixty Thousand Dollars (\$60,000)] Seventy  
10 Five Thousand Dollars (\$75,000). An additional sum of  
11 not to exceed [Ten Thousand Dollars (\$10,000)] Twenty  
12 Five Thousand Dollars (\$25,000) may be borrowed for  
13 the purchase of land upon which the building is to be  
14 constructed. If the borrower already owns land upon  
15 which to construct a building, the [Ten Thousand  
16 Dollars (\$10,000)] Twenty Five Thousand Dollars  
17 (\$25,000) to be applied to purchase land may be  
18 applied for purchase or construction of a building.  
19 Loans shall be given only to residents who have been  
20 unable to obtain conventional financing from  
21 commercial lending institutions including but not  
22 limited to banks and savings and loan associations.  
23 At least three (3) written loan refusals from  
24 commercial lending institutions shall be presented  
25 upon application for a Guam Housing Corporation loan."

1 Section 2. Article 2 of 12 GCA Chapter 4 is  
2 amended to read:

3 "ARTICLE 2. GOVERNMENT LOAN SUBSIDY ACT

4  
5 §4201. Definitions.

6 §4202. Loans by the Corporation [(for  
7 construction of home)].

8 §4203. Vacant.

9 §4204. Loans Made Under the Subsidy Program.

10 §4205. Interest Subsidy for Low and Moderate  
11 Income Families.

12 §4206. Government Subsidy Rate and Term Thereof.

13 §4207. Limitation on Government Subsidy Rate.

14 §4208. Subsidy Schedule.

15 §4209. Termination of Subsidy.

16 §4210. Refund of Subsidy Monies.

17 §4211. Income Certification.

18 §4212. Extension of Termination of Subsidy Term.

19 §4213. Corporation Subsidy Fund.

20 §4214. Qualifications for Interest Subsidy  
21 Program.

22

23 -----

24

25 §4201. Definitions.

26 As used in this Article:

1 (a) "Adjusted annual income" means the total  
2 family income less five percent (5%) of such total  
3 family income less [Three Hundred Dollars (\$300)] Four  
4 Hundred Eighty Dollars (\$480) for each dependent,  
5 [under twenty (20) years of age.]

6 (b) "Board" means the Board of Directors of the  
7 Guam Housing Corporation.

8 (c) "Corporation" means the Guam Housing  
9 Corporation.

10 (d) "Family Income" means the total annual income  
11 derived from all sources for each member of the  
12 family.

13 (e) "Government" means the government of Guam.

14 (f) "Family" means two (2) or more persons related  
15 by blood or marriage, living together as a household.

16 (g) "Interest Subsidy" means interest paid by the  
17 government on each loan made by the Corporation  
18 pursuant to the provisions of this Article.

19 (h) "Loan" means that loan made by the Corporation  
20 to a low or moderate income family pursuant to the  
21 provisions of this Chapter.

22 (i) "Dependent" includes any child or individual  
23 for whom the head of household has legal guardianship  
24 and who is under the age of 19 years; any child or  
25 individual for whom the head of household has legal  
26 guardianship and who is the age of 25 provided the

1 child or individual is a full time student, or any  
2 individual, child, relative, or parent for whom the  
3 head of household has an obligation to provide  
4 financial support due to reasons of mental or physical  
5 incapacity.

6  
7 §4202. Loans by the Corporation. The Housing  
8 Corporation is authorized to make loans under this  
9 Chapter to low and moderate income families for the  
10 purchase or construction of their residential homes.  
11 All loans made by the Housing Corporation shall be  
12 subject to the following limitations:

13 (a) The maximum loan authorized for the purchase  
14 or construction of a residential home shall be  
15 [ninety-seven] eighty percent [(97%)] (80%) of the  
16 appraised value of the property and improvements.

17 (b) The minimum living areas for residential homes  
18 the subject of Housing Corporation loans shall be  
19 [eight hundred thirty (830)] nine hundred (900) square  
20 feet for two (2) bedroom-one-(1) bath homes, [one  
21 thousand (1,000)] one thousand one hundred (1,100)  
22 square feet for three (3) bedroom-one-(1) bath homes,  
23 one thousand two hundred sixty (1,260) square feet for  
24 three (3) bedroom-two-(2) bath homes, and [one  
25 thousand three hundred eighty (1,380)] one thousand  
26 four hundred (1,400) square feet for four (4)  
27 bedroom-two-(2) bath homes."

1 §4203. Vacant.

2  
3 §4204. Loans Made Under the Subsidy Program.

4 Loans made by the Corporation under the subsidy  
5 program shall bear interest at [a rate equal to] the  
6 prevailing [Federal Housing Administration] Guam  
7 Housing Corporation rate.

8  
9 §4205. Interest Subsidy for Low and Moderate Income  
10 Families

11 The Government shall provide interest subsidies to  
12 qualified low and moderate income families for home  
13 construction, purchase, repair or improvement loans  
14 made by the Corporation. Subsidies shall be available  
15 to each family based on the family's adjusted income  
16 which shall be determined at the time of application  
17 and in accordance with the subsidy schedule under  
18 §4208 of this Article.

19  
20  
21 §4206. Government Subsidy Rate and Term Thereof.

22 The Government shall provide interest subsidies to  
23 qualified families. The subsidies shall be given in  
24 accordance to the subsidy schedule set forth in §4208  
25 within the limits as income and maximum subsidy  
26 amounts as follows:



1 (a) For families with an adjusted income less than  
2 [Eleven Thousand Dollars (\$11,000)] Twenty Four  
3 Thousand One Hundred Dollars (\$24,100), the  
4 Government's maximum subsidy rate shall be four  
5 percent (4%) for the first year; four percent (4%) for  
6 the second year; three percent (3%) for the third  
7 year; two percent (2%) for the fourth year; and one  
8 percent (1%) for the fifth year unless otherwise  
9 extended or terminated by the Corporation.

10 (b) For families with an adjusted income equal to  
11 or greater than [Eleven Thousand Dollars (\$11,000)]  
12 Twenty Four Thousand One Hundred Dollars (\$24,100) but  
13 less than [Thirteen Thousand Dollars (\$13,000)] Twenty  
14 Six Thousand One Hundred Dollars (\$26,100), the  
15 Government's maximum subsidy rates shall be three  
16 percent (3%) for the first year; three percent (3%)  
17 for the second year; two percent (2%) for the third  
18 year; and one percent (1%) for the fourth year. The  
19 subsidy shall cease at the end of the fourth year  
20 unless otherwise extended or terminated by the  
21 Corporation.

22 (c) For families with an adjusted income equal to  
23 or greater than [Thirteen Thousand Dollars (\$13,000)]  
24 Twenty Six Thousand One Hundred Dollars (\$26,100) but  
25 less than [Fourteen Thousand Dollars (\$14,000)] Twenty  
26 Eight Thousand One Hundred Dollars (\$28,100), the

1 Government's maximum subsidy rates shall be two  
2 percent (2%) for the first year; two percent (2%) for  
3 the second year; and one percent (1%) for the third  
4 year. The subsidy shall cease at the end of the third  
5 year unless otherwise extended or terminated by the  
6 Corporation.

7 (d) For families with an adjusted income equal to  
8 or greater than [Fourteen Thousand Dollars (\$14,000)]  
9 Twenty Eight Thousand One Hundred Dollars (\$28,100) by  
10 less than [Sixteen Thousand Dollars (\$16,000)] Thirty  
11 Thousand One Hundred Dollars (\$30,100), the  
12 Government's maximum subsidy rates shall be one  
13 percent (1%) for the first year and second years. The  
14 subsidy shall cease at the end of the second year  
15 unless otherwise extended or terminated by the  
16 Corporation.

17 (e) In the event the [Federal Housing  
18 Administration's] Guam Housing Corporation's rate  
19 decreases below twelve percent (12%), the initial  
20 maximum subsidy rate shall be reduced to that rate  
21 provided for under 4207 of this Article. The rates in  
22 4205 (b), (c), and (d) shall also be adjusted by the  
23 same number of basis points between the maximum  
24 subsidy level and the rates provided for under §4207  
25 of this Article. The rate shall be the same the  
26 second year until the rate equals zero.

1           (f) The adjusted Income levels in paragraphs (a),  
2           (b), (c) and (d) of this subsection shall be adjusted  
3           periodically by the percentage change in the median  
4           income for the Territory as established by the U.S.  
5           Department of Housing and Urban Development  
6           established at the closing of each loan, the subsidy  
7           level shall be fixed and shall not be changed  
8           regardless of any changes in the median income.

9  
10           §4207. Limitation on Government Subsidy Rate.

11           The Government's subsidy rate shall not exceed four  
12           percent (4%) per annum.

13  
14           §4208. Subsidy Schedule.

15           There is hereby established the following subsidy  
16           schedule to which this Article applies. The rate of  
17           the Government subsidy shall be in accordance with the  
18           schedule subject to the limitations set forth in  
19           §4205. The initial subsidy shall depend on each  
20           instance on the prevailing [FHA] Guam Housing  
21           Corporation rate at the time a loan is made.

1 [FHA] Guam Housing Corporation Rate  
 2 (%) Government Interest Subsidy Schedule

---

3		1st	2nd	3rd	4th	5th	6th
4		<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
5							
6	16.00	4.00	4.00	3.00	2.00	1.00	.00
7	15.75	4.00	4.00	3.00	2.00	1.00	.00
8	15.50	4.00	4.00	3.00	2.00	1.00	.00
9	15.25	4.00	4.00	3.00	2.00	1.00	.00
10	15.00	4.00	4.00	3.00	2.00	1.00	.00
11	14.75	4.00	4.00	3.00	2.00	1.00	.00
12	14.50	4.00	4.00	3.00	2.00	1.00	.00
13	14.25	4.00	4.00	3.00	2.00	1.00	.00
14	14.00	4.00	4.00	3.00	2.00	1.00	.00
15	13.75	4.00	4.00	3.00	2.00	1.00	.00
16	13.50	4.00	4.00	3.00	2.00	1.00	.00
17	13.25	4.00	4.00	3.00	2.00	1.00	.00
18	13.00	4.00	4.00	3.00	2.00	1.00	.00
19	12.75	4.00	4.00	3.00	2.00	1.00	.00
20	12.50	4.00	4.00	3.00	2.00	1.00	.00
21	12.25	4.00	4.00	3.00	2.00	1.00	.00
22	12.00	4.00	4.00	3.00	2.00	1.00	.00
23	11.75	3.75	3.75	2.75	1.75	.75	.00
24	11.50	3.50	3.50	2.50	1.50	.50	.00
25	11.25	3.25	3.25	2.25	1.25	.25	.00

1	11.00	3.00	3.00	2.00	1.00	.00	.00
2	10.75	2.75	2.75	1.75	.75	.00	.00
3	10.50	2.50	2.50	1.50	.50	.00	.00
4	10.25	2.25	2.25	1.25	.25	.00	.00
5	10.00	2.00	2.00	1.00	.00	.00	.00
6	9.75	1.75	1.75	.75	.00	.00	.00
7	9.50	1.50	1.50	.50	.00	.00	.00
8	9.25	1.25	1.25	.25	.00	.00	.00
9	9.00	1.00	1.00	.00	.00	.00	.00

10

11 **§4209. Termination of Subsidy.**

12 The government interest subsidy under this Article  
13 shall automatically terminate if, during the subsidy  
14 term, the residence under the mortgage for which the  
15 subsidy was granted is:

- 16 (a) transferred or conveyed;
- 17 (b) the property is sold; or
- 18 (c) the property is vacated by mortgagor.

19

20 **§4210. Refund of Subsidy Monies.**

21 All subsidy monies shall be returned to the Government  
22 through the Corporation. If the property is  
23 transferred, conveyed, sold or vacated by mortgagor  
24 during the term of the mortgage all such monies will  
25 be deposited into the Corporation Subsidy Fund.

1        S4211. Income Certification.

2        At every anniversary of the loan closing during the  
3        term of the subsidy herein, the borrowers must certify  
4        to the Corporation in writing their most current  
5        family income.

6  
7        S4212. Extension of Termination of Subsidy Term.

8        Upon receipt of the borrower's income certification,  
9        the Corporation [will] shall review the borrower's  
10       financial condition, and:

11       (a) If the Corporation determines that the borrowers  
12       need the extension of the subsidy, the Corporation may  
13       extend the subsidy term for [an] one additional year  
14       only.

15       (b) If the Corporation determines that the borrowers  
16       no longer qualify for the subsidy, the Corporation may  
17       terminate the subsidy.

18  
19       S4213. Corporation Subsidy Fund.

20       There is hereby established a fund to be known as the  
21       "Corporation Subsidy Fund," which shall be maintained  
22       separate and apart from any other funds of the  
23       government of Guam. All monies received by the  
24       Corporation from the Government for payment of the  
25       Government's subsidies provided herein shall be  
26       deposited to the Corporation Subsidy Fund and shall

1 be used solely for the payment of the Government's  
2 interest subsidy herein provided.

3

4 54214. Qualifications for Interest Subsidy Program.

5 To qualify for the loan subsidy program, an individual  
6 or family must show evidence of rejection from Three  
7 (3) commercial mortgage lending institutions and be  
8 unable to qualify on the basis of income for Guam  
9 Housing Corporation's regular lending program."