



*Territory of Guam*  
*Territorio Guam*

OFFICE OF THE GOVERNOR  
L.F.SINAN I MAGA LAHI  
AGANA, GUAM 96910 U.S.A.

RECEIVED  
LEGISLATIVE COUNCIL



The Honorable Joe T. San Agustin  
Speaker, Twenty-First Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 95 which I have signed into law as Public Law  
21-99.

Sincerely yours,

JOSEPH F. ADA  
Governor

**210931**

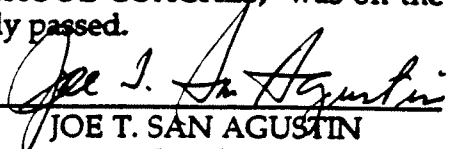
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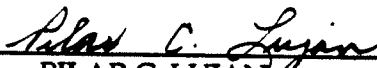
TWENTY-FIRST GUAM LEGISLATURE  
1992 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR


This is to certify that Substitute Bill No. 95 (LS), "AN ACT TO REPEAL AND REENACT ARTICLE 2, CHAPTER 4, TITLE 12, GUAM CODE ANNOTATED, CREATING THE COMMUNITY AFFORDABLE HOUSING ACTION TRUST, TO ADD A NEW ARTICLE 3 TO CHAPTER 4, TITLE 12, GUAM CODE ANNOTATED, ON THE AUTHORIZED ACTIVITIES OF THE GUAM HOUSING CORPORATION, TO ADD NEW ARTICLES 4 AND 5 TO CHAPTER 4, TITLE 12, GUAM CODE ANNOTATED, CREATING THE GUAM HOUSING MORTGAGE INSURANCE CORPORATION AND ESTABLISHING RULES AND REGULATIONS FOR THE HOUSING PROGRAMS, TO AUTHORIZE THE APPROPRIATION OF ADDITIONAL FUNDS TO THE GUAM HOUSING CORPORATION REVOLVING LOAN FUND AND FOR THE PREPARATION OF A MASTER PLAN FOR THE DEVELOPMENT OF AFFORDABLE, SPECIAL NEEDS AND MARKET UNITS ON PORTIONS OF LOT NO. 5402, IN THE MUNICIPALITY OF MANGILAO, AND MAKING APPROPRIATIONS FOR A VOLLEYBALL TOURNAMENT AND FOR MIDDLE SCHOOL COACHES," was on the 13th day of March, 1992, duly and regularly passed.

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

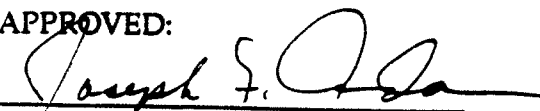
Attested:

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

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This Act was received by the Governor this 14<sup>th</sup> day of March,  
1992, at 11:15 o'clock A.M.

  
\_\_\_\_\_  
Thelma J. Dumas  
Assistant Staff Officer  
Governor's Office

APPROVED:

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

Date: MARCH 31, 1992

Public Law No. 21-99

TWENTY FIRST GUAM LEGISLATURE  
1991 (FIRST) Regular Session

Bill No. 95 (LS)

As substituted by the Committee  
on Housing, Community Development,  
Federal and Foreign Affairs.

Introduced by:

F.R.Santos  
H.D. Dierking  
A.C. Blaz  
-----  
J. G. Bamba  
J. P. Aguon  
C. T. C. Gutierrez  
P. C. Lujan  
J. T. San Agustin  
E. P. Arriola  
M. D. A. Manibusan  
E. R. Dueñas  
G. Mailloux  
M. Z. Bordallo  
D. Parkinson  
D. L. G. Shimizu  
D. F. Brooks  
E. M. Espaldon  
M. J. Reidy  
M. C. Ruth  
T. V. C. Tanaka  
A. R. Unpingco

AN ACT TO REPEAL AND REENACT ARTICLE 2, CHAPTER 4, TITLE 12, GUAM CODE ANNOTATED, CREATING THE COMMUNITY AFFORDABLE HOUSING ACTION TRUST, TO ADD A NEW ARTICLE 3 TO CHAPTER 4, TITLE 12, GUAM CODE ANNOTATED, ON THE AUTHORIZED ACTIVITIES OF THE GUAM HOUSING CORPORATION, TO ADD NEW ARTICLES 4 AND 5 TO CHAPTER 4, TITLE 12, GUAM CODE ANNOTATED, CREATING THE GUAM HOUSING MORTGAGE INSURANCE CORPORATION

AND ESTABLISHING RULES AND REGULATIONS FOR THE HOUSING PROGRAMS, TO AUTHORIZE THE APPROPRIATION OF ADDITIONAL FUNDS TO THE GUAM HOUSING CORPORATION REVOLVING LOAN FUND AND FOR THE PREPARATION OF A MASTER PLAN FOR THE DEVELOPMENT OF AFFORDABLE, SPECIAL NEEDS AND MARKET UNITS ON PORTIONS OF LOT NO. 5402, IN THE MUNICIPALITY OF MANGILAO, AND MAKING APPROPRIATIONS FOR A VOLLEYBALL TOURNAMENT AND FOR MIDDLE SCHOOL COACHES.

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

3 Section 1. Legislative findings. The Legislature of Guam finds that  
4 the island's booming economy is a double-edged sword in that it benefits  
5 Guam's people while at the same time making it increasingly more difficult  
6 for many to purchase their own homes. Problems relating to the lack of  
7 affordable housing fall into five categories:

- 8 1. Lack of desirable lower cost housing;
- 9 2. Lack of low interest financing;
- 10 3. Lack of available financing permitting low down payments;
- 11 4. Lack of benefits for first-time home buyers; and
- 12 5. No central location to obtain all relevant information and  
13 assistance.

14 The reasons for the lack of affordable housing are many and include  
15 the soaring cost of land, rising construction costs, numerous lucrative  
16 construction projects for too few construction companies, outdated tax  
17 laws, uninhibited speculation and lack of real flexibility among lending  
18 institutions. These factors and others have contributed to increasing the

1 vast and growing pool of families who wish to purchase a home but  
2 cannot.

3 The Legislature further finds that few homes within the financial  
4 reach of a majority of buyers are being offered for sale and even fewer are  
5 being constructed. Since only the more wealthy segment of Guam's  
6 population is able to easily purchase a home, a discriminatory situation  
7 exists in that the wealthy segment is now the primary, and largely the  
8 only, target market for new housing developments. It is the role of the  
9 government of Guam to correct such a situation to insure that citizens at  
10 every income level are given the opportunity to achieve the dream of  
11 owning their own home.

12 The Legislature further finds that those having difficulty buying a  
13 home in today's market can be divided into three categories:

14 1. Those who can qualify for a home loan but do not have funds for  
15 the down payment;

16 2. Those who have land upon which to build a home but either do  
17 not qualify for a loan or cannot find a builder; and

18 3. Those who have no property and who do not qualify for a home  
19 loan.

20 The Legislature further finds that several affordable housing  
21 proposals have already been made and laws have been enacted and, while  
22 such laws have merit, they do not provide solutions to all of the problems.  
23 For instance, the development of large tracts of government-owned land  
24 into affordable housing subdivisions can give landless people a start, but at  
25 the same time may also stratify the community, separating low and  
26 moderate income families from those with the means to build or purchase

1 a home in today's market. This stratification rapidly develops into  
2 economic discrimination and gives rise to an environment for the  
3 development of "ghetto" or "project life" which must be avoided in all  
4 instances. Subsidizing interest rates for home buyers may make it easier  
5 for some to qualify for financing, but at the same time may drive up even  
6 further the already high cost of housing.

7 The Legislature is aware that there can be no one solution to the  
8 affordable housing dilemma. No one program will resolve all of the  
9 problems for all of the people. The Legislature finds it necessary to enact  
10 various programs designed to provide the different opportunities required  
11 by the different situations in which individuals and families of Guam find  
12 themselves. The Legislature finds that additional and continuing solutions  
13 to the affordable housing problems must be found; that a comprehensive  
14 plan to make housing more affordable is necessary and must be developed;  
15 and that this Act is one of several vital parts of such a comprehensive plan.

16 Section 2. Article 2, Chapter 4, Title 12, Guam Code Annotated, is  
17 hereby repealed and re-enacted to read:

18 "ARTICLE 2. COMMUNITY AFFORDABLE HOUSING ACTION  
19 TRUST ACT

- 20 §4200. Definitions.  
21 §4201. Loans by Financial Institutions.  
22 §4202. Insurance of Dwelling.  
23 §4303. Loans Made Under this Program.  
24 §4204. Interest Free Loan Program.  
25 §4205. Government Participation and Term Thereof.  
26 §4206. Limitations on Interest Free Loans.

1           **§4207. Interest Free Loan Schedules.**

2           **§4208. Termination of Interest Free Loans.**

3           **§4209. Community Affordable Housing Action Trust Fund.**

4           **§4210. Use of Trust Proceeds for Interest Free Loans.**

5           **§4211. Repayment of Interest Free Loan Proceeds.**

6           **§4212. Qualification for Interest Free Loans.**

7           **§4213. GHC Participation.**

8           **§4214. Foreclosure Protection Fund.**

9           **§4215. Mortgage Insurance or Guarantee.**

10          **§4200. Definitions.** For purposes of this Article, the following terms  
11 are defined to mean:

12           (a) "Adjusted annual income" means the total family income less five  
13 percent (5%) of such total family income less Four Hundred Eighty Dollars  
14 (\$480) for each dependent.

15           (b) "Appraised Value" means the value of the home and lot to be  
16 purchased or the value of the home and lot to be constructed or renovated.

17           (c) "Board" means the board of directors of the Guam Housing  
18 Corporation.

19           (d) "Dependent" means (i) any child or individual under the age of  
20 nineteen (19) over which the head of household of such child or individual  
21 has legal guardianship; and (ii) any child or individual under the age of  
22 twenty-five (25) over which the head of household of such child or  
23 individual has legal guardianship, if such child or individual is a full time  
24 student, or (iii) any individual, child, relative, or parent, regardless of age,  
25 over which the head of household of such person has an obligation to  
26 provide financial support due to mental or physical incapacity.

1 (e) "Down Payment" means the equity requirements of the  
2 homeowner needed to initiate the mortgage for the purchase, construction  
3 or renovation of a home.

4 (f) "Family Income" means the total annual income derived from all  
5 sources for each member of the family.

6 (g) "Family" means two (2) or more persons related by blood,  
7 adoption or marriage, living together as a household.

8 (h) "FHLMC" means the Federal Home Loan Mortgage  
9 Corporation, also known as "Freddie Mac".

10 (i) "Financial Institution" means any financial institution authorized  
11 to make mortgage loans.

12 (j) "First-time Home Owner" means any individual or family who  
13 has not had any ownership interest in a residential dwelling within the five  
14 (5) years preceding the date of application. Families or individuals who  
15 have had an ownership interest in residential real property within the five  
16 (5) year period preceding the date of application but such interest was  
17 terminated by a decree of divorce or operation of law qualify as First-time  
18 Home Owners.

19 (k) "FNMA" means the Federal National Mortgage Association,  
20 also known as "Fannie Mae".

21 (l) "GHC" means the Guam Housing Corporation.

22 (m) "Government" means the government of Guam.

23 (n) "Home" means any single family dwelling or single family  
24 condominium or town house.

25 (o) "Index Rate" means the lower of the FNMA or FHLMC rate.

26 (p) "Individual" means any unmarried person.



1 (q) "Interest Free Loan" means second mortgages made by the  
2 Government that are to be repaid without interest pursuant to the  
3 provisions of this Chapter.

4 (r) "Loan" means the loan made by the Financial Institution or GHC  
5 to a family or individual pursuant to the provisions of this Chapter.

6 (s) "Loan to Value Ratio" means the percentage derived from the  
7 loan amount divided by the Maximum Price Factor.

8 (t) "Maximum Price Factor" means the lesser of the appraised value  
9 or the selling price of a Home purchased or constructed under this  
10 Chapter, including the underlying real estate.

11 (u) "Real Estate Owned (REO)" means property acquired by a lender  
12 through foreclosure and held in inventory.

13 (v) "Residential Real Property" means real property consisting of  
14 land and a dwelling which has been used as a family's or individual's place  
15 of residence.

16 (w) "Selling Price" means for purposes of this Chapter the purchase  
17 price of a completed Home or the purchase price of the lot and the  
18 construction cost of the Home to be built on the lot.

19 **§4201. Loans by Financial Institutions.**

20 Financial Institutions are authorized to make loans under this Article  
21 to qualified families or individuals for the purchase or construction of  
22 typhoon-resistant residential Homes.

23 **§4202. Insurance of Dwelling.**

24 The Financial Institution shall require that each mortgagor maintain  
25 adequate property insurance coverage for a Home financed under this  
26 Chapter.

1           **§4203. Loans Made Under this Program.**

2           Loans made by Financial Institutions shall be limited to First-time  
3 Home Owners who have been residents of Guam for a period of not less  
4 than five (5) years immediately preceding the date of application.

5           **§4204. Interest Free Loan Program.**

6           The Government shall provide Interest Free Loans to qualified  
7 individuals or families as second mortgage loans subordinated to first  
8 mortgage loans made by the Financial Institution for the purchase or  
9 construction of a Home. Interest Free Loans shall be available to each  
10 family or individual based on the family's or individual's adjusted income  
11 which shall be determined at the time of application and in accordance  
12 with the schedule set forth in §4207 of this Article. All loans so made shall  
13 be of such sound value, including credit worthiness, or so secured as to  
14 reasonably assure repayment.

15           **§4205. Government Participation.**

16           The Government shall provide Interest Free Loans to qualified  
17 families or individuals. The Interest Free Loans shall be given in  
18 accordance to the schedule set forth in §4207 within the income limits and  
19 maximum loan amounts as follows:

20           (a) For families or individuals with adjusted incomes up to **Forty**  
21 **Five Thousand Seven Hundred Eighty Dollars (\$45,780)**, the  
22 Government's participation shall be determined under Schedule I of §4207.

23           (b) For families or individuals with adjusted incomes of more than  
24 **Forty Five Thousand Seven Hundred Eighty Dollars (\$45,780)** up to **Fifty**  
25 **Five Thousand Five Hundred Ninety Dollars (\$55,590)**, the Government's  
26 participation shall be determined under Schedule II of §4207.

1 (c) For families or individuals with adjusted incomes of more than  
2 Fifty Five Thousand Five Hundred Ninety Dollars (\$55,590) up to Sixty  
3 Five Thousand Four Hundred Dollars (\$65,400), the Government's  
4 participation shall be determined under Schedule III of §4207.

5 Income limits contained herein shall be adjusted by GHC as needed.

6 **§4206. Limitations on Interest Free Loans.**

7 The total of Interest Free Loans and loans and grants provided for in  
8 §4206a shall not exceed Forty Thousand Dollars (\$40,000) per applicant.  
9 The total Loan to Value Ratio of the combined Financial Institution loan  
10 and the Interest Free Loan shall not exceed Ninety-Five Percent (95%) of  
11 the lower of the appraised value or the selling price.

12 **§4206a. 3/2 Down Payment Option.**

13 To the extent allowed by the Financial Institution, an applicant may  
14 qualify for a grant or an unsecured Interest Free Loan equal to an amount  
15 not exceeding Five Percent (5%) of the lower of the appraised value or the  
16 selling price of a Home financed under the provisions of this Article. The  
17 funds for grants or loans under this subsection shall come from the  
18 Community Affordable Housing Action Trust as defined in §4209 of this  
19 Article. The maximum loan or grant shall be five percent (5%) of the lower  
20 of the appraised value or the selling price of the Home financed not to  
21 exceed Five Thousand Dollars (\$5,000). The Financial Institution may  
22 include the repayment of the unsecured Interest Free Loan in the  
23 borrower's total debt qualifying ratio.

24 **§4206b. 3/2 Option Qualifications.**

25 Grants and loans under §4206a shall be limited to the following:

<p>1    <b>Adjusted Income:</b></p> <p>2    Less than \$34,335,</p> <p>3    \$34,335 to \$39,240,</p> <p>4    \$39,240 to \$45,780,</p> <p>5    Over \$45,780,</p>	<p><b>Qualifies For:</b></p> <p>Outright Grant,</p> <p>5 Year Interest Free Loan,</p> <p>3 Year Interest Free Loan,</p> <p>No Grant or Loan.</p>
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6            Funding under §4206a will be available only if the Financial  
7    Institution is a participant in the 3/2 Option program. All amounts above  
8    shall be reduced to the extent the applicant has available resources and  
9    any family gifts that may be applied to the Down Payment.

10           **§4207. Interest Free Loan Schedules.**

11           There are hereby established the following Interest Free Loan  
12    Schedules to which this Article applies. The maximum loan amount shall  
13    depend in each instance on the Rate Index at the time a loan is made.

14           **Interest Free Loan Schedule I.**

<p>15    INDEX RATE</p> <p>16    12.00% or more</p> <p>17    10.00% to 11.99%</p> <p>18    Less than 10.00%</p>	<p><b>MAXIMUM INTEREST FREE LOAN</b></p> <p>35.00% of Maximum Price Factor</p> <p>32.00% of Maximum Price Factor</p> <p>30.00% of Maximum Price Factor</p>
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19           **Interest Free Loan Schedule II.**

<p>20    INDEX RATE</p> <p>21    12.00% or more</p> <p>22    10.00% to 11.99%</p> <p>23    Less than 10.00%</p>	<p><b>MAXIMUM INTEREST FREE LOAN</b></p> <p>32.00% of Maximum Price Factor</p> <p>30.00% of Maximum Price Factor</p> <p>28.00% of Maximum Price Factor</p>
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24           **Interest Free Loan Schedule III.**

<p>25    INDEX RATE</p> <p>26    12.00% or more</p>	<p><b>MAXIMUM INTEREST FREE LOAN</b></p> <p>30.00% of Maximum Price Factor</p>
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1	10.00% to 11.99%	28.00% of Maximum Price Factor
2	Less than 10.00%	25.00% of Maximum Price Factor

3       **§4208. Termination of Interest Free Loan.**

4       The mortgagor must pay off the balance of the Interest Free Loan if,  
5 during the term of the loan, the Home secured by the mortgage for which  
6 the loan was granted is:

7       (a) transferred or conveyed;

8       (b) sold;

9       (c) occupied exclusively by individuals other than the mortgagor(s)  
10 or their children; or

11       (d) leased before five (5) years of actual occupancy by the  
12 mortgagor. If the Home is leased prior thereto then the Interest Free Loan  
13 shall be reamortized at the rate of the GHC loan as an interest bearing  
14 loan and such interest shall be remitted to GHC for deposit in the  
15 Community Affordable Housing Action Trust (the "Trust").

16       **§4209. Community Affordable Housing Action Trust.**

17       There is hereby established a fund to be known as the Trust, which  
18 shall be maintained by GHC separate and apart from any other funds of  
19 the Government or GHC. All monies received by GHC from the  
20 Government for funding of Interest Free Loans provided herein shall be  
21 deposited in the Trust and shall be used solely for that purpose. GHC shall  
22 distribute and manage the Trust proceeds.

23       **§4210. Use of Trust Proceeds for Interest Free Loans.**

24       Proceeds from the Trust shall be used exclusively for Interest Free  
25 Loans and the 3/2 Option provisions in participation with an underlying  
26 mortgage by a participating Financial Institution. The Interest Free Loan

1 shall be subordinate to the underlying loan by the Financial Institution but  
2 shall not be subordinate to any other debt or debenture.

3 **§4211. Repayment of Interest Free Loan.**

4 The Interest Free Loan shall be repaid monthly by the mortgagor in  
5 an amount equal to the loan amount divided by the number of monthly  
6 periods until maturity. The priority for payment of such loan in the event  
7 the loan is in arrears is after the Financial Institution's requirements and  
8 before other Trust fund obligations. GHC may establish and charge the  
9 mortgagor late fees for all Interest Free Loans that are paid after the  
10 grace period. Where allowed by the participating lender, GHC may  
11 authorize deferral of the Interest Free Loan for a period of time not to  
12 exceed five (5) years.

13 **§4212. Qualifications for Interest Free Loan Program.**

14 (a) Prior to applying at a Financial Institution for an Interest Free  
15 Loan under this Article, the applicant shall first receive an eligibility letter  
16 from GHC.

17 (b) To qualify for the Interest Free Loan program, an individual or  
18 family must meet the income requirements established herein and  
19 demonstrate repayment ability.

20 (c) Any applicant, who intentionally supplies false information on  
21 the application for funds under any of the programs established in this  
22 Article shall automatically be disqualified from such program. In the event  
23 that funds are disbursed by GHC on behalf of such an applicant, there shall  
24 be penalty interest as set by GHC charged on the amount disbursed.

1           **§4213. GHC Participation as a Lender.**

2           (a) An applicant who is unable to qualify for a mortgage loan with at  
3 least three (3) commercial lenders under the program set out in this Article  
4 is eligible for a GHC loan under §4103(c) of this Title and may qualify for  
5 an Interest Free Loan under this Article; **provided**, such applicant falls  
6 within the income guidelines of this Article.

7           (b) The Interest Free Loan levels in Schedules I, II and III of §4207  
8 shall correspond with the prevailing GHC rate and not the index rate as is  
9 the case with qualified Financial Institutions.

10           **§4214. Foreclosure Protection Fund.**

11           There is hereby created the Foreclosure Protection Fund (the  
12 "Fund"). The Fund shall be used by GHC to protect the interest of the  
13 Trust as the second mortgagee and shall be used exclusively for the  
14 purpose of paying off the first mortgage on foreclosure.

15           **§4215. Mortgage Insurance or Guarantee.**

16           If it is necessary to encourage participation in the program by  
17 Financial Institutions, the Corporation may enter cooperative programs  
18 to obtain mortgage risk insurance or guarantee loans against losses as a  
19 result of default and subsequent foreclosure.

20           **Section 3.** Article 3 is hereby added to Chapter 4, Title 12, Guam  
21 Code Annotated, to read:

22           **"ARTICLE 3. GOVERNMENT PARTICIPATION LOAN ACT**

23           **§4300. Definitions.**

24           **§4301. Loans by the Corporation.**

25           **§4302. Insurance of Home.**

26           **§4303. Loans Made Under This Program.**

1           **§4304. Interest Free Loan Program.**

2           **§4305. Government Participation.**

3           **§4306. Limitations on Interest Free Loans.**

4           **§4307. Interest Free Loan Schedule.**

5           **§4308. Termination of Interest Free Loan.**

6           **§4309. Funding From the Community Affordable Housing Action**  
7 **Trust.**

8           **§4310. Use of Trust Proceeds for Interest Free Loans.**

9           **§4311. Repayment of Interest Free Loans.**

10          **§4312. Qualifications for Interest Free Loans.**

11          **§4300. Definitions.** The definitions set out in §4200 of Article 2 of  
12 this Chapter shall apply to this Article 3.

13          **§4301. Loans by the Corporation.**

14          GHC is authorized to make loans under this Article to low and  
15 moderate income families for the purchase or construction of their  
16 residential Homes. All loans made by GHC shall be subject to the  
17 following limitation:

18           (a) The maximum Loan to Value Ratio shall not exceed Ninety-Five  
19 percent (95%) of the appraised value of the Home.

20          **§4302. Insurance of Home.**

21          GHC shall require that each mortgagor maintain adequate property  
22 insurance coverage for a Home financed under this Article.

23          **§4303. Loans Made Under the This Program.**

24          First mortgage loans made by GHC under this program shall bear  
25 interest at the prevailing GHC rate.



1           **§4304. Interest Free Loan Program.**

2           The Government shall provide Interest Free Loans to qualified  
3 individuals or families as second mortgage loans subordinated to first  
4 mortgage loans made by GHC for the purchase or construction of a Home.  
5 Interest Free Loans shall be available to each family or individual based on  
6 the family's or individual's adjusted income which shall be determined at  
7 the time of application and in accordance with the schedule set out in  
8 §4307 of this Article. All loans so made shall be of such sound value,  
9 including credit-worthiness or so secured as to reasonably assure  
10 repayment.

11           **§4305. Government Participation.**

12           The Government shall provide Interest Free Loans to qualified  
13 families or individuals. The Interest Free Loans shall be given in  
14 accordance to the schedule set forth in §4307 within income limits and  
15 maximum loan amounts as follows:

16           (a) For families or individuals with adjusted incomes of up to  
17 **Twenty Six Thousand One Hundred Sixty Dollars (\$26,160)**, the  
18 Government's participation shall be determined under Schedule I of §4307.

19           (b) For families or individuals with adjusted incomes of more than  
20 **Twenty Six Thousand One Hundred Sixty Dollars (\$26,160)** up to **Twenty**  
21 **Nine Thousand Four Hundred Thirty Dollars (\$29,430)**, the Government's  
22 participation shall be determined under Schedule II of §4307.

23           (c) For families or individuals with adjusted incomes of more than  
24 **Twenty Nine Thousand Four Hundred Thirty Dollars (\$29,430)** up to  
25 **Thirty Two Thousand Seven Hundred Dollars (\$32,700)**, the

1 Government's participation shall be determined under Schedule III of  
2 §4307.

3 (d) For families or individuals with adjusted incomes of more than  
4 **Thirty Two Thousand Seven Hundred Dollars (\$32,700)** up to **Thirty Nine**  
5 **Thousand Two Hundred Forty Dollars (\$39,240)**, the Government's  
6 participation shall be determined under Schedule IV of §4307.

7 Income limits contained herein shall be adjusted by GHC as needed.

8 **§4306. Limitations on Interest Free Loans.**

9 An Interest Free Loan shall not exceed Fifty Thousand Dollars  
10 (\$50,000). The total Loan to Value Ratio of the combined GHC loan and  
11 the Interest Free Loan shall not exceed Ninety-Five Percent (95%) of the  
12 appraised value of the Home.

13 **§4307. Interest Free Loan Schedules.**

14 There are hereby established the following Interest Free Loan  
15 Schedules to which this Article applies. The maximum loan amount shall  
16 depend in each instance on the prevailing GHC Rate at the time a loan is  
17 made.

18 **Interest Free Loan Schedule I.**

19	GHC RATE	MAXIMUM INTEREST FREE LOAN
20	12.00% or more	50.00% of The Appraised Value
21	10.00% to 11.99%	48.00% of The Appraised Value
22	Less than 10.00%	46.00% of The Appraised Value

23 **Interest Free Loan Schedule II.**

24	GHC RATE	MAXIMUM INTEREST FREE LOAN
25	12.00% or more	48.00% of The Appraised Value
26	10.00% to 11.99%	46.00% of The Appraised Value

1 Less than 10.00% 44.00% of The Appraised Value

2 **Interest Free Loan Schedule III.**

3 **GHC RATE** **MAXIMUM INTEREST FREE LOAN**

4 12.00% or more 46.00% of The Appraised Value

5 10.00% to 11.99% 44.00% of The Appraised Value

6 Less than 10.00% 42.00% of The Appraised Value

7 **Interest Free Loan Schedule IV.**

8 **GHC RATE** **MAXIMUM INTEREST FREE LOAN**

9 12.00% or more 44.00% of The Appraised Value

10 10.00% to 11.99% 42.00% of The Appraised Value

11 Less than 10.00% 40.00% of The Appraised Value

12 **§4308. Termination of Interest Free Loan.**

13 The mortgagor must pay off the Interest Free Loan if, during the  
14 term of the loan, the Home secured by the mortgage for which the loan  
15 was granted is:

16 (a) transferred or conveyed;

17 (b) sold;

18 (c) occupied exclusively by individuals other than the mortgagor (s)  
19 or their children; or

20 (d) leased before five (5) years of actual occupancy by the  
21 mortgagor. If the Home is leased prior thereto then the Interest Free Loan  
22 shall be reamortized at the rate of the GHC loan as an interest bearing  
23 loan and such interest shall be remitted to GHC for deposit in the  
24 Community Affordable Housing Action Trust (the "Trust"). Exceptions to  
25 this provision may be afforded by GHC under rules and regulations

1 adopted in accordance with the provisions of the Administrative  
2 Adjudication Law.

3 **§4309. Funding From the Trust.**

4 All Interest Free Loans under this Article shall be funded by the Trust  
5 established in §4209 of Article 2 of this Chapter.

6 **§4310. Use of Trust Proceeds for Interest Free Loans.**

7 Proceeds from the Trust shall be for Interest Free Loans in  
8 participation with an underlying mortgage by GHC. The Interest Free  
9 Loans shall be subordinate to the underlying first mortgage by GHC but  
10 shall not be subordinate to any other debt or debenture.

11 **§4311. Repayment of Interest Free Loan.**

12 The Interest Free Loan shall be repaid monthly by the mortgagor in  
13 an amount equal to the loan amount divided by the number of monthly  
14 periods until maturity. The priority for payment of this loan in the event  
15 the loan is in arrears is after GHC's requirements and before other Trust  
16 fund obligations. GHC may establish and charge the mortgagor late fees  
17 for all Interest Free Loans that are paid after the grace period.

18 **§4312. Qualifications for Interest Free Loans.**

19 To qualify for the Interest Free Loan program, an individual or  
20 family must show evidence of rejection from three (3) commercial  
21 mortgage lending institutions and be unable to qualify on the basis of  
22 income for GHC's regular lending program. Applicants under this section  
23 are not eligible for the six percent (6%) loan program authorized by Public  
24 Law 20-210."

1           **Section 4.** All unused funds previously appropriated to the  
2 Corporation Subsidy Fund shall be transferred to the Community  
3 Affordable Housing Action Trust.

4           **Section 5.** Interest earned on the undisbursed proceeds in the  
5 Community Affordable Housing Action Trust and the Foreclosure  
6 Protection Fund shall be retained by GHC to cover its expenses in  
7 managing these funds.

8           **Section 6.** Article 4 is hereby added to Chapter 4, Title 12, Guam  
9 Code Annotated, to read:

10           "Article 4. Guam Housing Mortgage Insurance Corporation

11           **§4400. Definitions.**

12           **§4401. Creation.**

13           **§4402. Qualifications.**

14           **§4403. Government Loan Guarantee Fund.**

15           **§4404. Operations.**

16           **§4405. Exemption From Regulation.**

17           **§4400. Definitions.** The definitions set out in §4200, Article 2 of this  
18 Chapter shall apply to this Article 4.

19           **§4401. Creation.**

20           GHC is hereby authorized to create the Guam Housing Corporation  
21 Mortgage Insurance Corporation ("GHMIC"). GHMIC shall be a public  
22 corporation owned in its entirety by GHC. The Board shall be the board of  
23 directors of GHMIC. The Board shall create by-laws and promulgate  
24 rules and regulations for GHMIC under the provisions of the  
25 Administrative Adjudication Law.

1           **§4402. Qualifications.**

2           To qualify for the program set out in this Article, the applicant must  
3 be a qualified resident and First-time Home Owner as defined in this  
4 Chapter. Applicants must demonstrate that they will not be able to obtain  
5 first mortgage loans from mortgage lending institutions on the basis of not  
6 having sufficient assets to use as a Down Payment for the loans. Those  
7 applicants that demonstrate that they will not be able to obtain a first  
8 mortgage loan but can be approved by a mortgage lending institution if  
9 they obtain a mortgage loan guarantee from GHC are eligible for a loan  
10 guarantee under this Article; provided, that the mortgage lending  
11 institution approves the applicant contingent upon the approval of a loan  
12 guarantee from GHC.

13           **§4403. Government Loan Guarantee Fund.**

14           There is hereby created a Government Loan Guarantee Fund  
15 ("GLGF"). GLGF shall be managed by GHC. Proceeds from GLGF shall  
16 be used for the purpose of capitalizing GHMIC. All investment income  
17 from GLGF shall remain the property of GHMIC.

18           **§4404. Operations.** GHMIC shall be operated as follows:

19           **(a) Separate Records Required.** GHC shall keep separate records  
20 and financial statements and shall in no way consolidate the finances of  
21 GHMIC with its own finances.

22           **(b) Limitations of Program Finances.** Administrative support  
23 services for GHMIC shall be provided by GHC; provided, however, that  
24 GHMIC, from its operating revenues, shall reimburse GHC for all the  
25 cost of administrative support services, inclusive of personnel services and  
26 cost of materials and supplies.

1           **(c) Limits of Liability.** GHC shall not be held liable for policy claims  
2 against GHMIC. In the event that the policy claims rate exceeds the  
3 projection of the actuarially determined funding requirements so as to  
4 jeopardize the solvency of the program established in this Article, GHMIC  
5 shall request additional appropriations to GLGF.

6           **§4405. Exemption From Regulations.**

7           GHMIC shall be exempt from all laws and regulations which give  
8 the Director of Revenue and Taxation, as the Insurance Commissioner,  
9 control over the private insurance industry. Private mortgage insurers  
10 who reinsure policies underwritten by GHMIC shall also be exempt from  
11 regulation by the Insurance Commissioner; **provided**, that such insurers  
12 are regulated by one or more regulatory bodies in any state of the United  
13 States."

14           **Section 7. Authorization for Appropriations.**

15           **(a) FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS**  
16 **(\$4,500,000)** are hereby authorized to be appropriated from the General  
17 Fund to the Community Affordable Housing Action Trust established in  
18 §4209 of Article 2, Chapter 4, Title 12, Guam Code Annotated, and **FIVE**  
19 **HUNDRED THOUSAND DOLLARS (\$500,000)** are hereby authorized to  
20 be appropriated to the Foreclosure Protection Fund established in §4214 of  
21 such Article 2, for the purpose of carrying out the provisions of such Article  
22 2.

23           **(b) ONE MILLION DOLLARS (\$1,000,000)** are authorized to be  
24 appropriated to the Government Loan Guarantee Fund established in  
25 §4403 of Article 4, Chapter 4, Title 12, Guam Code Annotated, for carrying  
26 out the provisions of said Article 4.





1           **§4502. Assistance Limitations.**

2           As the purpose of the programs contained in Articles 2, 3 and 4 of this  
3 Chapter is to assist families and individuals who are lacking the necessary  
4 resources for the Down Payment or loan qualification requirements, the  
5 qualifying amount of the assistance under such programs shall be directly  
6 reduced to the extent that the applicant has available resources to use as a  
7 Down Payment or to qualify for the mortgage loan.

8           **§4503. Development of Rules and Regulations.**

9           GHC shall develop rules and regulations for the programs set out in  
10 Articles 2, 3 and 4 of this Chapter under the provisions of the  
11 Administrative Adjudication Law.

12           **§4504. Representation by Public Defender Service Corporation.** The  
13 Public Defender Service Corporation is hereby authorized to represent, at  
14 cost notwithstanding the Home buyer's income, any Home buyer under any  
15 programs set out in this Chapter in any dispute with the Home builder, real  
16 estate broker, title insurance company, developer, contractor, sub-contractor,  
17 material supplier, bonding company, or their agents and employees over a  
18 breach of contract, breach of warranty, tort, fraud, or misrepresentation  
19 arising out of the Home purchase, its financing, or its construction.

20           **§4505. Performance and Payment Bonds.** Contracts for the  
21 construction of Homes under the programs authorized by this Chapter shall  
22 require the builder to post one hundred percent (100%) performance and  
23 payment bonds, or the equivalent in securities, the beneficiaries of which shall  
24 be the Home Owner, the Financial Institution holding the first mortgage on  
25 the Home, and the Government, as the case requires.

1           **§4506. Prepayment of Loan.** Any prepayment of a loan, which  
2 prepayment shall be at the option of the borrower, under any of the programs  
3 authorized by this Chapter, shall be applied to the first or second mortgage,  
4 at the option of the borrower.

5           **§4507. No Release of Fund until Conditions Met.**

6           No funds appropriated towards the program established in this  
7 Chapter shall be released by GHC unless one (1) of the following  
8 conditions are satisfied:

9                   (1) Local Financial Institutions submit in writing to GHC  
10 their intention to participate in one (1) or more of the programs;  
11 or

12                   (2) Any Federal Housing Assistance Agency that may  
13 participate in one (1) or more of the programs, express its  
14 intention, in writing, to underwrite or purchase the local  
15 Financial Institution's participation in such program."

16           **Section 9. Preparation of Master Plan for the Development of**  
17 **Affordable, Special Needs and Market Units on Portions of Lot No. 5402 in**  
18 **the Municipality of Mangilao.**

19           The Governor is hereby authorized to place portions of Lot No. 5402  
20 in the Municipality of Mangilao, consisting of Two Hundred Seventy-Two  
21 and One-Half (272.5) acres, under the administrative jurisdiction of the  
22 Guam Housing Corporation ("GHC") to prepare a master plan for the  
23 development of affordable units, market units, and special needs housing  
24 units. The master plan shall include but not be limited to a land use plan,  
25 desired Home specifications including floor plans, archaeological surveys,  
26 topographical surveys, environment impact assessments, on-site/off-site

1 infrastructure needs, the type of building system utilized, Home buyer  
2 takeout financing strategies and target selling prices of the affordable  
3 units.

4         GHC is, in addition, authorized to enter into joint ventures with  
5 private landowners and/or developers in the development of affordable  
6 housing on private properties under this Act. All documents relating to  
7 such joint ventures must be submitted to the Legislature for final approval  
8 prior to the development or construction of any project by such a joint  
9 venture.

10         For purposes of this section "affordable units" are those that are sold  
11 at below market prices to low, moderate, and middle income groups;  
12 "market units" are those that are sold at market prices in the general real  
13 estate market with the profits being used as means of funding the costs  
14 associated with the development and selling the affordable and special  
15 needs units; and "special needs units" are those that are sold or leased to  
16 special needs groups such as the handicapped or elderly. The master plan  
17 shall include the number of affordable, market, and special needs  
18 residential units with no more than thirty percent (30%) of the total  
19 residential units to be built as market units. The affordable and special  
20 needs units shall be allocated among Home buyers, approved by GHC,  
21 based on the results of the comprehensive housing study currently under  
22 solicitation by GHC and the Guam Economic Development Authority.

23         Upon completion, GHC shall submit the completed master plan  
24 along with recommendations regarding infrastructure needs,  
25 development bonds, and other essential items to the Legislature for  
26 authorization for further development. No commitment for sales of

1 Homes financed under the programs set out in this Chapter may be made  
2 until the master plan is completed and approved by the Legislature by  
3 statute.

4 **SECTION 10. Appropriation For Master Plan.**

5 **NINE HUNDRED THOUSAND DOLLARS (\$900,000)** are hereby  
6 authorized to be appropriated from the General Fund to the Guam  
7 Housing Corporation to complete the master plan described in Section 9 of  
8 this Act.

9 **Section 11. Appropriations to Guam Housing Corporation**  
10 **Revolving Loan Fund.**

11 There is hereby authorized to be appropriated from the General  
12 Fund to the Guam Housing Corporation Revolving Loan Fund the sum of  
13 **TEN MILLION DOLLARS (\$10,000,000)** to be used under the provisions  
14 set out in by Public Law 20-210.

15 **Section 12. Severability.**

16 If any provisions of this Act or the application thereof to any person  
17 or circumstance, are held invalid, such invalidity shall not affect any other  
18 provision or application of this Act which can be given effect without the  
19 invalid provision or application, and to this end the provisions of the Act  
20 are severable.

21 **Section 13. Appropriation for volleyball tournament.** Thirty  
22 Thousand Dollars (\$30,000) are reappropriated from the lapsed funds of  
23 the government of Guam to the Department of Parks and Recreation for  
24 the use of the Pacific Islanders Volleyball Association ("PIVA") to defray  
25 transportation and incidental expenses for participation in the 35th Annual  
26 Haili Men's Club Invitational Volleyball in Hilo, Hawaii on March 23-28,

1 1992. PIVA shall within thirty (30) days after the return of its teams to  
2 Guam, submit an accounting of the use of such funds to the Department of  
3 Parks and Recreation with documents and support vouchers.

4       **Section 14. Appropriation for coaches.** Sixty-Five Thousand  
5 Dollars (\$65,000) are reappropriated from the lapsed funds of the  
6 Department of Education to the Department of Education to fund the  
7 stipend for middle school coaches, Interscholastic Sports School Year  
8 1991-1992.

21-099

6

TWENTY-FIRST GUAM LEGISLATURE  
1991 (FIRST) Regular Session

Date: 3/13/92

VOTING SHEET

Bill No. 95

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

Question: \_\_\_\_\_

	<u>AYE</u>	<u>NO</u>	<u>NOT VOTING</u>	<u>ABSENT/ OUT DURING ROLL CALL</u>
<u>AGUON, John P.</u>	✓			
<u>ARRIOLA, Elizabeth P.</u>	✓			
<u>BAMBA, J. George</u>	✓			
<u>BLAZ, Anthony C.</u>	✓			
<u>BORDALLO, Madeleine Z.</u>	✓			
<u>BROOKS, Doris F.</u>	✓			
<u>DIERKING, Herminia D.</u>	✓			
<u>DUENAS, Edward R.</u>	✓			
<u>ESPALDON, Ernesto M.</u>	✓			
<u>GUTIERREZ, Carl T.C.</u>	✓			
<u>LUJAN, Pilar C.</u>	✓			
<u>MAILLOUX, Gordon</u>	✓			
<u>MANIBUSAN, Marilyn D.A.</u>	✓			
<u>PARKINSON, Don</u>	✓			
<u>REIDY, Michael J.</u>	✓			
<u>RUTH, Martha C.</u>	✓			
<u>SAN AGUSTIN, Joe T.</u>	✓			
<u>SANTOS, Francisco R.</u>	✓			
<u>SHIMIZU, David L.G.</u>	✓			
<u>TANAKA, Thomas V.C.</u>	✓			
<u>UNPINGCO, Antonio R.</u>	✓			

21

COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT,  
FEDERAL AND FOREIGN AFFAIRS  
TWENTY-FIRST GUAM LEGISLATURE

163 Chalan Santo Papa  
Agaña, Guam 96910

Senator Francisco R. Santos  
Chairman

Tel: (671) 472-3414/3415  
Fax: (671) 477-3048

March 9, 1992

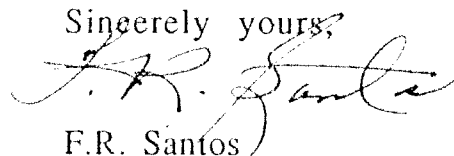
The Honorable Joe T. San Agustin  
Speaker  
Twenty First Guam Legislature  
Agana, Guam

Dear Mr. Speaker,

The Committee on Housing, Community Development, Federal and Foreign Affairs, to which was referred Bill No. 95, *An Act to create affordable housing programs for the people of Guam*, has had the same under consideration and herewith reports out Bill No. 95 with its recommendation TO DO PASS as amended and substituted by the Committee. Votes of the Committee were as follows:

TO DO PASS	-10-
TO DO NOT PASS	-0-
TO REPORT OUT ONLY	-0-
OFF ISLAND	-0-

Sincerely yours,



F.R. Santos

**COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT,  
FEDERAL AND FOREIGN AFFAIRS  
TWENTY-FIRST GUAM LEGISLATURE**

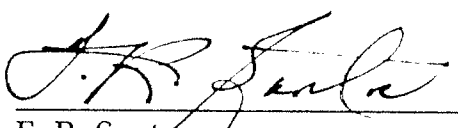
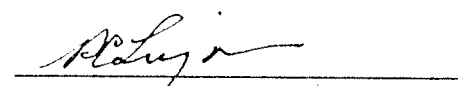
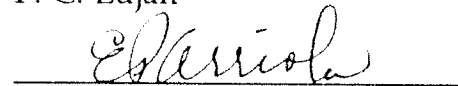
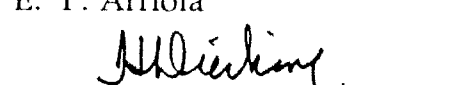
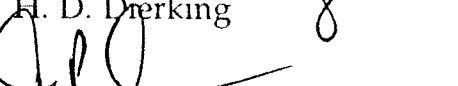


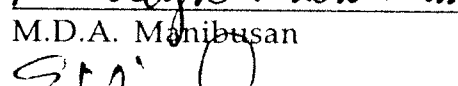
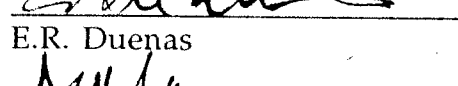

163 Chalan Santo Papa  
Agaña, Guam 96910

Senator Francisco R. Santos  
Chairman

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**VOTE SHEET**

**BILL NO. 95:** *An Act to Create the Community Affordable Housing Action Trust, the Citizens Housing Act of 1992 and for other purposes relative to affordable housing for the people of Guam.*

Senator	To Do Pass	To Do Not Pass	Report Out Only	Not Voting
 F. R. Santos	✓			
 P. C. Lujan	✓			
 E. P. Arriola	✓			
 H. D. Dierking	✓			
 J. P. Aguon	✓			
 J.G. Bamba	✓			
 M.D.A. Manibusan	✓			
 E.R. Duenas	✓			
 A.C. Blaz	✓			
 J.T. San Agustin	✓			