

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

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**AFFORDABLE HOUSING**

**FOR**

**THE PEOPLE OF GUAM**

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**MAJOR POINTS OF BILL NO. 95,**

as amended and substituted by the

Committee on Housing, Community Development,  
Federal and Foreign Affairs

March 9, 1992

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TWENTY FIRST GUAM LEGISLATURE  
FIRST REGULAR (1991) SESSION

Bill No. 95

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

Introduced by:

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AN ACT TO REPEAL AND REENACT ARTICLE 2 OF 12 GCA CHAPTER 4 CREATING THE COMMUNITY AFFORDABLE HOUSING ACTION TRUST; TO ENACT A NEW ARTICLE 3 OF 12 GCA CHAPTER 4 RELATIVE TO THE AUTHORIZED ACTIVITIES OF THE GUAM HOUSING CORPORATION; TO ENACT A NEW ARTICLE 4 OF 12 GCA CHAPTER 4 CREATING THE GUAM HOUSING MORTGAGE INSURANCE CORPORATION AND TO ADD A NEW CHAPTER 70 TO TITLE 21, GCA TO BE KNOWN AS THE "CITIZENS AFFORDABLE HOUSING ACT OF 1991", DESIGNATING THE GHC BOARD AS THE AFFORDABLE HOUSING BOARD; TO ADD §61639 TO SAID TITLE, REQUIRING THAT AT LEAST FIFTEEN PERCENT OF HOMES IN ALL NEW HOUSING PROJECTS OF TEN (10) OR MORE



UNITS BE AFFORDABLE AS DEFINED BY THE AFFORDABLE HOUSING BOARD; TO ADD 2425 AND 2426 TO TITLE TWELVE, GUAM CODE ANNOTATED, TO REQUIRE DEVELOPERS SEEKING ASSISTANCE FROM THE GUAM ECONOMIC DEVELOPMENT AUTHORITY TO BUILD AFFORDABLE HOUSING AND TO AUTHORIZE GROSS RECEIPTS AND CORPORATE INCOME TAX REBATES TO BUILDERS OF AFFORDABLE HOUSING; AND 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.

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

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

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

1       The reasons for the lack of affordable housing are many and  
2 include the soaring cost of land, rising construction costs,  
3 numerous lucrative construction projects for too few  
4 construction companies, outdated tax laws, uninhibited  
5 speculation and lack of real flexibility among lending institutions.  
6 These factors and others have contributed to increasing the vast  
7 and growing pool of families who wish to purchase a home but  
8 cannot.

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

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

- 22       1. Those who can qualify for a home loan but do not have  
23 funds for the down payment;
- 24       2. Those who have land upon which to build a home but  
25 either do not qualify for a loan or cannot find a builder; and
- 26       3. Those who have no property and who do not qualify  
27 for a home loan.

1       The Legislature further finds that several affordable  
2 housing proposals have already been made and laws have been  
3 enacted and, while such laws have merit, they do not provide  
4 solutions to all of the problems. For instance, the development of  
5 large tracts of government-owned land into affordable housing  
6 subdivisions can give landless people a start, but at the same  
7 time may also stratify the community, separating low and  
8 moderate income families from those with the means to build or  
9 purchase a home in today's market.

10       This stratification rapidly develops into economic  
11 discrimination and gives rise to an environment for the  
12 development of "ghetto" or "project life" which must be avoided  
13 in all instances. Subsidizing interest rates for home buyers may  
14 make it easier for some to qualify for financing, but at the same  
15 time may drive up even further the already high cost of  
16 housing.

17       The Legislature is aware that there can be no one solution to  
18 the affordable housing dilemma. No one program will resolve all  
19 of the problems for all of the people. The legislature then finds it  
20 necessary to enact various programs designed to provide the  
21 different opportunities required by the different situations  
22 individuals and families of Guam find themselves in. The  
23 Legislature finds that additional and continuing solutions to the  
24 affordable housing problems must be found; that a  
25 comprehensive plan to make housing more affordable is  
26 necessary and must be developed; and that this Act is one of  
27 several vital parts of such a comprehensive plan.

1 SECTION 2. Article 2 of 12 GCA Chapter 4 is hereby  
2 repealed and re-enacted to read:

3 "ARTICLE 2. COMMUNITY AFFORDABLE HOUSING  
4 ACTION TRUST ACT

5 §+201. Definitions.

6 §+202. Loans by Financial Institutions. §+203. Insurance  
7 of Dwelling.

8 §+204. Loans Made Under this Program.

9 §+205. Interest Free Loan Program.

10 §+206. Government Participation and Term Thereof.

11 §+207. Limitations on Interest Free Loans.

12 §+208. Interest Free Loan Schedules.

13 §+209. Termination of Interest Free Loans.

14 §+210. Community Affordable Housing Action Trust  
15 Fund

16 §+211. Use of Trust Proceeds for Interest Free Loans.

17 §+212. Repayment of Interest Free Loan Proceeds.

18 §+213. Qualification for Interest Free Loans.

19 §+214. GHC Participation.

20 §+215. Foreclosure Protection Fund.

21 §+216. Mortgage Insurance or Guarantee.

22 §+217. Program Requirements and Regulations.

23 §4201. Definitions. As used in this Article:

24 (a) "Adjusted annual income" means the total  
25 family or individual income less five percent (5%) of such total  
26 family income less Four Hundred Eighty Dollars (\$480) for each  
27 dependent.

1 (b) "Board" means the Board of Directors of the  
2 Guam Housing Corporation.

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

5 (d) "Government" means the Government of  
6 Guam.

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

10 (f) "Individual" means any unmarried person.

11 (g) "Interest Free Loan (IFL)" means the second  
12 loan that is funded by the government for each loan made by  
13 the Financial Institution pursuant to the provisions of this  
14 Article.

15 (h) "Loan" means the loan made by the Financial  
16 institution to a family or individual pursuant to the provisions of  
17 this Chapter.

18 (i) "Dependent" shall be defined as any child or  
19 individual in which the head of household has legal guardianship  
20 under the age of 19 years; and child or individual in which the  
21 head of household has legal guardianship under the age of 25  
22 provided the child or individual is a full time student, or any  
23 individual, child relative, or parent in which the head of  
24 household has an obligation to provide financial support due to  
25 reasons of mental or physical incapacity.

1 (j) "Residential Real Property" means real  
2 property consisting of land and a dwelling which has been used  
3 as a family's or individual's place of residence.

4 (k) "GHC" means Guam Housing Corporation.

5 (l) "Financial Institution" means any financial  
6 institution authorized to make mortgage loans.

7 (m) "First-time Home Owner" means any  
8 individual or family who has not had any ownership interest in a  
9 residential dwelling within the three years preceding the date of  
10 application. Families or individuals who have had an ownership  
11 interest in residential real property within the three year period  
12 preceding the date of application but such interest was  
13 terminated by a decree of divorce or operation of law qualify as  
14 first time home owners.

15 (n) "Applicable Rate Index" for purposes of  
16 indexing second mortgage schedules will be the applicable  
17 FNMA/FHLMC rate depending on the secondary investor. If  
18 another investor purchases mortgages under this Act, the  
19 applicable rate shall be the prevailing prime rate.

20 (o) "Home" means any single family dwelling or  
21 single family condominium or town house.

22 (p) "Median Income" means the median income  
23 established by the U. S. Department of Housing And Urban  
24 Development for Guam.

25 (q) "Maximum Price Factor" means the lesser of  
26 the appraised value or the selling price of a home purchased or

1 constructed including the underlying real estate under this  
2 Article.

3 (r) "Prime Rate" means the rate established  
4 periodically by Guam Housing Corporation based on the average  
5 prime rate used by major United States Banking Institutions.

6 (s) "FNMA" means the Federal National Mortgage  
7 Association also known as "Fannie Mae".

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

10 **§4202. Loans by Financial Institutions.**

11 Financial Institutions are authorized to make loans under  
12 this Article to qualified families or individuals for the purchase or  
13 construction of typhoon resistant residential homes.

14 **§4203. Insurance of Dwelling.**

15 The Financial Institution shall require that each mortgagor  
16 maintain adequate property insurance coverage for a home  
17 financed under this Act.

18 **§4204. Loans Made Under this Program.**

19 Loans made by the Financial Institution shall be limited to  
20 first-time home owners.

21 **§4205. Interest Free Loan Program.**

22 The Government shall provide interest free loans to  
23 qualified individuals or families as subordinate second mortgage  
24 loans to first mortgage loans made by the Financial Institution  
25 for the purchase or construction of a home. Interest free loans  
26 shall be available to each family or individual based on the  
27 family's or individual's adjusted income which shall be

1 determined at the time of application and in accordance with the  
2 schedule under §4208 of this Article. All loans so made shall be of  
3 such sound value or so secured as to reasonably assure  
4 repayment.

5 **§4206. Government Participation and Term Thereof.**

6 The Government shall provide interest free loans to  
7 qualified families or individuals. The interest free loans shall be  
8 given in accordance to the schedule set forth in §4208 within the  
9 income limits and maximum subsidy amounts as follows:

10 (a) For families or individuals with One Hundred Percent  
11 (100%) up to One Hundred Forty Percent (140%) of the Median  
12 Income, the Government's participation shall be determined  
13 under Schedule I of §4208.

14 (b) For families or individuals with more than One  
15 Hundred Forty Percent (140%) and up to One Hundred Seventy  
16 Percent (170%) of the Median Income, the Government's  
17 participation shall be determined under Schedule II of §4208.

18 (c) For families or individuals with more than One  
19 Hundred Seventy Percent (170%) and up to Two Hundred  
20 Percent (200%) of the Median Income, the Government's  
21 participation shall be determined under Schedule III of §4208.

22 **§4207. Limitations on Interest Free Loans.**

23 The total of interest free loans and loans and grants  
24 provided for in §4207(a) shall not exceed Forty Thousand Dollars  
25 (\$40,000.00) per applicant. The total Loan to Value Ratio of the  
26 combined Financial Institution loan and the Interest Free loan



1 shall not exceed Ninety Five Percent (95%) of the lower of the  
2 appraised value or the selling price.

3 §4207(a). 3/2 Down Payment Option.

4 To the extent allowed by the financial institution, an  
5 applicant may qualify for a grant or an unsecured interest free  
6 loan equal to an amount not exceeding Two Percent (2%) of the  
7 lower of the appraised value or the selling price of a home  
8 financed under the provisions of this Article. The funds for  
9 grants or loans under this subsection shall come from the  
10 Community Affordable Housing Action Trust as defined in §4210  
11 of this Act. The maximum loan or grant shall be Two Percent (2%)  
12 of the lower of the appraised value or the selling price of the  
13 home financed not to exceed Two Thousand Dollars (\$2,000.00).  
14 The financial institution may include the repayment of the  
15 unsecured interest free loan in the borrower's total debt  
16 qualifying ratio.

17 §4207(b). 3/2 Option Qualifications.

| 18 Adjusted Income        | Qualifies For             |
|---------------------------|---------------------------|
| 19 100% to 105% of median | Outright Grant            |
| 20 106% to 120% of median | 5 Year Interest Free Loan |
| 21 121% to 140% of median | 3 Year Interest Free Loan |
| 22 Over 140% of median    | No Grant or Loan          |

23 Funding for this section will be available only if the financial  
24 institution is a participant in the 3/2 Option program. All  
25 amounts above shall be reduced to the extent of the applicant's  
26 resources available for the home and any family gifts may be  
27 applied to the down payment.



1           **§4209. Termination of Interest Free Loan.**

2           The Interest Free provisions under this Article shall  
3 automatically terminate if, during the term of the loan, the  
4 residence secured by the mortgage for which the loan was  
5 granted is:

6                   (a) transferred or conveyed;

7                   (b) is sold; or

8                   (c) is occupied exclusively by individuals other than  
9 the mortgagor(s) or their children.

10           If the property is leased then the interest free loan shall be  
11 reamortized at the rate of the financial institution loan as an  
12 interest bearing loan and such interest shall be remitted by the  
13 financial institution to GHC for deposit in the Community  
14 Affordable Housing Action Trust.

15           **§4209a. Exceptions.**

16           (a) Affordable Rentals. In the event the loan becomes  
17 distressed and the Mortgagor is unable to make the monthly  
18 payments, the home may be rented out by GHC as an affordable  
19 rental unit. The amount of the rental shall be the total monthly  
20 mortgage payment plus a Ten Percent (10%) management fee to  
21 be retained by GHC. If the mortgagor is unable to make up the  
22 arrears prior to GHC leasing out the home, then GHC may grant a  
23 special catchup loan for the amount of the arrears at its second  
24 mortgage rate not to exceed two years. The amount of this loan  
25 shall be factored into the monthly rental payment. GHC shall  
26 rent the home to any person provided that such person earn  
27 less than Two Hundred Percent of the Median Income. GHC may

1 also factor into the rental, a formula for the repairs and upkeep  
2 of the unit but such reserves shall not be subject to the Ten  
3 Percent (10%) management fee.

4 (b) Release from Restrictions. The mortgagor may free  
5 themselves from the restrictions of this section by paying off the  
6 interest free loan in its entirety.

7 **§4210. Community Affordable Housing Action Trust.**

8 There is hereby established a fund to be known as the  
9 “Community Affordable Housing Action Trust”, which shall be  
10 maintained by the Guam Housing Corporation separate and  
11 apart from any other funds of the Government of Guam or GHC.  
12 All monies received by the Guam Housing Corporation from the  
13 Government for funding of interest free loans provided herein  
14 shall be deposited to the Community Affordable Housing Action  
15 Trust and shall be used solely for that purpose. The Guam  
16 Housing Corporation is responsible for the distribution and  
17 management of the trust proceeds.

18 **§ 4211. Use of Trust Proceeds for Interest Free**  
19 **Loans.**

20 Proceeds from the trust shall be used exclusively for  
21 interest free loans in participation with an underlying mortgage  
22 by a participating financial institution. The interest free loan shall  
23 be subordinate to the underlying loan by the financial institution  
24 but shall not be subordinate to any other debt or debenture.

25 **§4212. Repayment of Interest Free Loan.**

26 The interest free loan shall be repaid monthly by the  
27 mortgagor in an amount equal to the loan amount divided by the

1 number of monthly periods until maturity. The priority for  
2 payment of this loan in the event the loan is in arrears is after  
3 the financial institutions's requirements and before other  
4 trustfund obligations. GHC may establish and charge the  
5 mortgagor late fees for all interest free loans that are paid after  
6 the grace period. Where allowed by the participating lender, GHC  
7 may authorize deferral of the interest free loan for a period of  
8 time not to exceed five (5) years.

9 **§4213. Qualifications for Interest Free Loan Program.**

10 (a) Prior to applying at a Financial Institution for an  
11 interest free loan under this Article, the applicant shall first  
12 receive an eligibility letter from the Guam Housing Corporation.

13 (b) To qualify for the interest free loan program, an  
14 individual or family must meet the income requirements  
15 established herein and demonstrate repayment ability.

16 **§4214. GHC Participation.**

17 (a) An applicant who is rejected by three (3) commercial  
18 lending institutions and qualifies for a Guam Housing Corporation  
19 loan under Section 4103(c) of Title 12 GCA may qualify for an  
20 interest free loan under this section provided they fall within the  
21 income guidelines of this Act.

22 (b) The interest free loan levels in schedules I, II and III of  
23 this act shall correspond with the prevailing Guam Housing  
24 Corporation rate and not the applicable index rate as is the case  
25 with qualified financial institutions.