

1 **§4215. Foreclosure Protection Fund.**

2 There is hereby created the Foreclosure Protection Fund.
3 This fund shall be used by GHC to protect the interest of the
4 Community Affordable Housing Action Trust as the second
5 mortgagee and shall be used exclusively for the purpose of
6 paying off the first mortgage on foreclosure in the event the
7 highest bid is not sufficient to pay off the first mortgage and the
8 interest free loan. GHC shall take title to all property acquired by
9 use of this fund. Proceeds from this fund shall be borrowed
10 interest free and shall be repaid at an amount equal to the lower
11 of the selling price of the Real Estate Owned (REO) or the amount
12 expended from the Foreclosure Protection Fund upon sale of the
13 REO.

14 **§4216. Mortgage Insurance or Guarantee.**

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

19 **§4217. Program Requirements and Regulations.**

20 **§4217a. Residency Requirements.**

21 All applicants of the program contained herein shall be U.S.
22 Citizens or permanent resident aliens who have been residents
23 of Guam for a period of not less than five (5) years immediately
24 preceding the date of application. Applicants who have not been
25 five (5) year residents for the period immediately preceding the
26 date of application may qualify for these programs if the
27 applicant's residency change was due to active service in the

1 United States Armed Forces or for attendance on a full time basis
2 at an institution of higher education provided that the applicant
3 was a five (5) year resident for the period immediately
4 preceding the start of such active duty or education.

5 **§4217b. Need for Down Payment Assistance**
6 **Required.**

7 As the purpose of the program contained herein is to assist
8 families and individuals who are lacking the necessary resources
9 for the down payment requirements or loan qualification
10 requirements, the qualifying amount of the assistance under
11 these programs shall be directly reduced to the extent that the
12 applicant has available resources to use as a down payment or to
13 qualify for the mortgage loan.

14 **4217c. Development of Rules and Regulations.**

15 GHC shall develop Rules and Regulations for the program
16 contained herein under the Provisions of the Administrative
17 Adjudication Law. GHC also has the flexibility to change any
18 program requirements contained herein to conform to the
19 standards set forth by the Federal Home Loan Mortgage
20 Corporation (Freddie Mac), the Federal National Mortgage
21 Association (Fannie Mae), or other secondary investor of
22 mortgages except those that pertain to applicant's qualifications
23 and soft second loan amounts as contained herein.

1 SECTION 3. Article 3 of 12 GCA Chapter 4 is
2 hereby added to read:

3 "ARTICLE 3. GOVERNMENT PARTICIPATION LOAN ACT"

4 §4301 .Definitions.

5 §4302 .Loans by the Corporation.

6 §4303 .Insurance of Dwelling.

7 §4304 .Loans Made Under This Program.

8 §4305 .Interest Free Loan Program.

9 §4306 .Interest Free Loans and Term Thereof.

10 §4307 .Limitations on Interest Free Loans.

11 §4308 .Interest Free Loan Schedule.

12 §4309 .Termination of Interest Free Loan.

13 §4310 .Funding From the Community Affordable
14 Housing Action Trust.

15 §4311 .Use of Trust Proceeds for Interest Free Loans.

16 §4312 .Repayment of Interest Free Loans.

17 §4313 .Qualifications for Interest Free Loans.

18 §4314 .Mortgage Revenue Bond Funding.

19 §4315 .Program Requirements and Regulations.

20 As used in this Article:

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

24 (b) "Board" means the Board of Directors of the Guam
25 Housing Corporation.

26 (c) "Corporation" means the Guam Housing Corporation.

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

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

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

6 (g) "Individual" means any unmarried person.

7 (h) "Interest Free Loan" means second mortgages that are
8 to be repaid without interest pursuant to the provisions of this

9 (i) "Loan" means that loan made by the Corporation to a
10 low or moderate income family pursuant to the provisions of this
11 Chapter.

12 (j) "Dependent" shall be defined as any child or individual
13 in which the head of household has legal guardianship under the
14 age of 19 years; and child or individual in which the head of
15 household has legal guardianship under the age of 25 provided
16 the child or individual is a full time student, or any individual,
17 child relative, or parent in which the head of household has an
18 obligation to provide financial support due to reasons of mental
19 or physical incapacity.

20 **§4302. Loans by the Corporation.**

21 The Guam Housing Corporation is authorized to make loans
22 under this Chapter to low and moderate income families for the
23 purchase or construction of their residential homes. All loans
24 made by GHC shall be subject to the following limitations:

25 (a) The maximum loan to value ratio shall not exceed
26 Ninety Five percent (95%) of the Appraised value of the
27 property.

1 (b) The minimum living areas for residential homes that
2 are the subject of the Housing Corporation loans shall be:

3 (1) nine hundred (900) square feet for two (2)
4 bedroom-one-(1) bath homes;

5 (2) one thousand one hundred (1,100) square feet
6 for three (3) bedroom-one-(1) bath homes;

7 (3) one thousand two hundred sixty (1,260) square
8 feet for three (3) bedroom-two-(2) bath homes; and

9 (4) one thousand four hundred (1,400) square feet
10 for four (4) bedroom-two-(2) bath homes.

11 **§4303. Insurance of Dwelling.**

12 GHC shall require that each mortgagor maintain adequate
13 property insurance coverage for a home financed under this
14 Act.

15 **§4304. Loans Made Under the This Program.**

16 First mortgage loans made by the Corporation under this
17 program shall bear interest at the prevailing Guam Housing
18 Corporation rate.

19 **§4305. Interest Free Loan Program.**

20 The Government shall provide interest free loans to
21 qualified individuals or families as subordinate second mortgage
22 loans to first mortgage loans made by GHC for the purchase, or
23 construction of a home. Interest free loans shall be available to
24 each family or individual based on the family's or individual's
25 adjusted income which shall be determined at the time of
26 application and in accordance with the schedule under §4308 of

1 this Article. All loans so made shall be of such sound value or so
2 secured as to reasonably assure repayment.

3 **§4306. Government Participation and Term**
4 **Thereof.**

5 The Government shall provide interest free loans to
6 qualified families or individuals. The interest free loans shall be
7 given in accordance to the schedule set forth in §4308 within the
8 income limits and maximum subsidy amounts as follows:

9 (a) For families or individuals with adjusted incomes of up
10 to Eighty Percent (80%) of the Median Income, the Government's
11 participation shall be determined under Schedule I of §4308.

12 (b) For families or individuals with adjusted incomes of
13 more than Eighty Percent (80%) and up to Ninety Percent (90%)
14 of the Median Income, the Government's participation shall be
15 determined under Schedule II of §4308.

16 (c) For families or individuals with adjusted incomes of
17 more than Ninety Percent (90%) and up to than One Hundred
18 Percent (100%) of the Median Income, the Government's
19 participation shall be determined under Schedule III of §4308.

20 (d) For families or individuals with adjusted incomes of
21 more than One Hundred Percent (100%) up to than One
22 Hundred Twenty Percent (120%) of the Median Income, the
23 Government's participation shall be determined under Schedule
24 IV of §4308.

25 **§4307. Limitations on Interest Free Loans.**

26 The Interest free Loan shall not exceed Fifty Thousand
27 Dollars (\$50,000.00). The total Loan to Value Ratio of the

1 combined GHC loan and the Interest Free loan shall not exceed
2 Ninety Five Percent (95%) of the appraised value of the home.

3 **§4307(a). 3/2 Down Payment Option.**

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

16 **§4307b. 3/2 Option Qualifications.**

Adjusted Income	Qualifies For
Less than 100% of median	Outright Grant
100% to 120% of median	5 Year Interest Free Loan

20 Funding for this section will be available only in MRB issues
21 as contained in §4314. All amounts above shall be reduced to the
22 extent of the applicant's resources available for the home and
23 any family gifts may be applied to the down payment.

1 **§4308. Interest Free Loan Schedules.**

2 There are hereby established the following Interest Free
3 Loan Schedules to which this Article applies. The maximum loan
4 amount shall depend in each instance on the prevailing GHC , ,
5 Rate at the time a loan is made.

6 **INTEREST FREE LOAN SCHEDULE I.**

7 GHC Rate	Maximum Interest Free Loan
8 12.00% or more	50.00% of The Appraised Value
9 10.00% to 11.99%	48.00% of The Appraised Value
10 Less than 10.00%	46.00% of The Appraised Value

11 **INTEREST FREE LOAN SCHEDULE II**

12 GHC Rate	Maximum Interest Free Loan
13 12.00% or more	48.00% of The Appraised Value
14 10.00% to 11.99%	46.00% of The Appraised Value
15 Less than 10.00%	44.00% of The Appraised Value

16 **Interest Free Loan Schedule III.**

17 GHC Rate	Maximum Interest Free Loan
18 12.00% or more	46.00% of The Appraised Value
19 10.00% to 11.99%	44.00% of The Appraised Value
20 Less than 10.00%	42.00% of The Appraised Value

21 **INTEREST FREE LOAN SCHEDULE IV.**

22 GHC Rate	Maximum Interest Free Loan
23 12.00% or more	44.00% of The Appraised Value
24 10.00% to 11.99%	42.00% of The Appraised Value
25 Less than 10.00%	40.00% of The Appraised Value

1 **§4309. 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. If the property is leased then
10 the interest free loan shall be reamortized at the rate of the GHC
11 loan as an interest bearing loan and such interest shall be
12 remitted to GHC for deposit in the Community Affordable
13 Housing Action Trust.

14 **§4309(a). Exceptions.**

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

1 of the unit but such reserves shall not be subject to the Ten
2 Percent (10%) management fee.

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

6 **§4310. Funding From the Community Affordable**
7 **Housing Action Trust.**

8 All Interest Free Loans under this Article shall be funded
9 by the Community Affordable Housing Action Trust contained in
10 §4210 of Article 2, Chapter 4, 12 GCA.

11 **§4311. Use of Trust Proceeds for Interest Free Loans.**
12 Proceeds from the trust shall be for interest free loans in
13 participation with an underlying mortgage by GHC. The interest
14 free loan shall be subordinate to the underlying first mortgage
15 by GHC but shall not be subordinate to any other debt or
16 debenture.

17 **§4312. Repayment of Interest Free Loan.**

18 The interest free loan shall be repaid monthly by the
19 mortgagor in an amount equal to the loan amount divided by the
20 number of monthly periods until maturity. The priority for
21 payment of this loan in the event the loan is in arrears is after
22 GHC's requirements and before other trustfund obligations. GHC
23 may establish and charge the mortgagor late fees for all interest
24 free loans that are paid after the grace period.

25 **§4313. Qualifications for Interest Free Loans.**

26 To qualify for the interest free loan program, an individual
27 or family must show evidence of rejection from Three (3)

1 commercial mortgage lending institutions and be unable to
2 qualify on the basis of income for Guam Housing Corporation's
3 regular lending program. Applicants under this section are not
4 eligible for the Six percent loan program authorized by P.L. 20-
5 210.

6 **§4314. Mortgage Revenue Bond Funding.**

7 In the event GHC is able to obtain financing through the
8 issuance of a Mortgage Revenue Bond (MRB), proceeds from the
9 bond may be used for mortgages in conjunction with the
10 provision of this Article.

11 **§4314(a). MRB Conditions.**

12 1) Origination and Servicing: Origination and servicing
13 may be done by commercial lending institutions.

14 2) Maximum second mortgage: The maximum second
15 mortgage for all loans originated using MRB proceeds under this
16 Article shall not exceed Forty Thousand Dollars (\$40,000).

17 **§4315. Program Requirements and Regulations**

18 **§4315(a). Residency Requirements.**

19 All applicants of the program contained herein shall be U.S.
20 Citizens or permanent resident aliens who have been residents
21 of Guam for a period of not less than five (5) years immediately
22 preceding the date of application. Applicants who have not been
23 five (5) year residents for the period immediately preceding the
24 date of application may qualify for these programs if the
25 applicant's residency change was due to active service in the
26 United States Armed Forces or for attendance on a full time basis
27 at an institution of higher education provided that the applicant

1 was a five (5) year resident for the period immediately
2 preceding the start of such active duty or education.

3 §4315(b). Need for Down Payment Assistance
4 Required.

5 As the purpose of the program contained herein is to assist
6 families and individuals who are lacking the necessary resources
7 for the down payment requirements or loan qualification
8 requirements, the qualifying amount of the assistance under
9 these programs shall be directly reduced to the extent that the
10 applicant has available resources to use as a down payment or to
11 qualify for the mortgage loan.

12 §4315(c). Development of Rules and Regulations.

13 GHC shall develop Rules and Regulations for the program
14 contained herein under the Provisions of the Administrative
15 Adjudication Law. GHC also has the flexibility to change any
16 program requirements contained herein to conform to the
17 standards set forth by the Federal Home Loan Mortgage
18 Corporation (Freddie Mac), the Federal National Mortgage
19 Association (Fannie Mae), or other secondary investor of
20 mortgages except those that pertain to applicant's qualifications
21 and soft second loan amounts as contained herein.

22 SECTION 4. All unused funds previously appropriated to
23 the Corporation Subsidy Fund shall be transferred to the
24 Community Affordable Housing Action Trust Fund.

25 SECTION 5. Interest earned on the undisbursed
26 proceeds in the Community Affordable Housing Action Trust

1 Fund and the Foreclosure Protection Fund shall be retained by
2 GHC to cover it's expenses in managing these funds.

3 SECTION 6. Article 4 of 12 GCA Chapter 4 is added to
4 read:

5 "Article 4. Guam Housing Mortgage Insurance
6 Corporation

7 §4401. Creation.

8 §4402. Definitions

9 §4403. Qualifications

10 §4404. Government Loan Guarantee Fund.

11 §4405. Operations.

12 §4406. Exemption From Regulation.

13 §4407. Program Requirements and Regulations.

14 §4401. Creation. GHC is hereby authorized to create the
15 Guam Housing Corporation Mortgage Insurance Corporation
16 (GHMIC). The GHMIC shall be a public corporation owned in its
17 entirety by GHC. The Board of Directors of GHC shall be the Board
18 of Directors of the GHMIC. The board shall create By-Laws and
19 rules and regulations for the GHMIC under the provisions of the
20 Administrative Adjudication Act.

21 §4402. Definitions.

22 1. "GHC" means the Guam Housing Corporation

23 2. "First Time Homeowner" means any Qualified
24 Buyer who has not had any ownership interest in a home within
25 the three year period immediately preceding the date of the
26 loan, any person who within the three year period preceding the
27 date of a loan herein, has had an interest in a home either joint

1 or undivided, or home pending inheritance provided that such
2 interest is less than Fifty Percent (50%) of the total value of the
3 home and such interest is terminated prior to the date of a loan
4 herein, or any individual who has had in interest in a home
5 within the last three years, in which such interest was
6 terminated by divorce.

7 3. "Family" means a household composed of two or
8 more individuals related by blood, marriage or adoption living
9 together as a household.

10 4. "Individual" means any single or unmarried
11 person.

12 5. "Down Payment" means the equity requirements
13 of the homeowner needed to initiate the mortgage for the
14 purchase, construction or renovation of a home.

15 6. "Selling Price" means for purposes of this Section
16 the purchase price of a completed home or the purchase price of
17 the lot and the construction cost of the home to be built on the
18 lot.

19 7. "Appraised Value" means the value of the home
20 and lot to be purchased or the value of the home and lot to be
21 constructed or renovated.

22 §4403. Qualifications.

23 To qualify for this program, the applicant must be a
24 qualified resident and first time homeowner as defined under
25 this Section. The applicant must demonstrate that they will not
26 be able to obtain a first mortgage loan from mortgage lending
27 institutions on the basis of not having sufficient cash to use as a

1 down payment for a loan. Those applicants that demonstrate that
2 they will not be able to obtain a first mortgage loan but can be
3 approved by a mortgage lending institution if they obtained a
4 mortgage loan guarantee from GHC are eligible for a loan
5 guarantee under this Act provided that mortgage lending
6 institution approves the applicant contingent upon the approval
7 of a loan guarantee from GHC.

8 §4404. Government Loan Guarantee Fund.

9 There is hereby created a Government Loan Guarantee
10 Fund (GLGF). The fund shall be managed by the Guam Housing
11 Corporation. Proceeds from this fund shall be used for the
12 purpose of capitalizing the GHMIC. All investment income on the
13 GLGF shall remain the property of the GHMIC.

14 §4405. Operations.

15 §4405(a). Separate Records Required.

16 GHC shall keep separate records and financial statements
17 and shall in no way consolidate the finances of the GHMIC with its
18 finances.

19 §4405(b). Limitations of Program Finances.

20 Administrative support services for the GHMIC shall be
21 provided by GHC provided , however that GHMIC, from its
22 operating revenues, shall reimburse GHC for all cost to provide
23 such administrative support services, inclusive of personnel
24 services and cost of materials and supplies.

25 §4405(c). Limits of Liability.

26 GHC shall not be held liable for policy claims against the
27 GHMIC.

1 In the event that the policy claims rate exceeds the projection of
2 the actuarially determined funding requirements as to
3 jeopardize the solvency of the program, the GHMIC shall request
4 for additional appropriations to the GLGF.

5 §4406. Exemption From Regulation.

6 The GHMIC shall be exempt from all laws and regulations
7 which give the Director of Revenue and Taxation as the
8 insurance commissioner, control over the private insurance
9 industry. Private mortgage insurers who reinsure policies
10 underwritten by the GHMIC, shall also be exempt from regulation
11 by the Insurance Commissioner.

12 §4407 . Program requirements and Regulations

13 §4407(a). Residency Requirements.

14 All applicants of the program contained herein shall be U.S.
15 Citizens or permanent resident aliens who have been residents
16 of Guam for a period of not less than five (5) years immediately
17 preceding the date of application. Applicants who have not been
18 five (5) year residents for the period immediately preceding the
19 date of application may qualify for these programs if the
20 applicant's residency change was due to active service in the
21 United States Armed Forces or for attendance on a full time basis
22 at an institution of higher education provided that the applicant
23 was a five (5) year resident for the period immediately
24 preceding the start of such active duty or education.

25 §4407(b). Need for Down Payment Assistance Required.

26 As the purpose of the program contained herein is to assist
27 families and individuals who are lacking the necessary resources

1 for the down payment requirements or loan qualification
2 requirements, the qualifying amount of the assistance under
3 these programs shall be directly reduced to the extent that the
4 applicant has available resources to use as a down payment or to
5 qualify for the mortgage loan.

6 §4407(c). Development of Rules and Regulations.

7 GHC shall develop Rules and Regulations for the program
8 contained herein under the Provisions of the Administrative
9 Adjudication Law. GHC also has the flexibility to change any
10 program requirements contained herein to conform to the
11 standards set forth by the Federal Home Loan Mortgage
12 Corporation (Freddie Mac), the Federal National Mortgage
13 Association (Fannie Mae), or other secondary investor of
14 mortgages except those that pertain to applicant's qualifications
15 herein.

16 SECTION 7. APPROPRIATIONS AUTHORIZATION

17 (a) There is hereby authorized to be appropriated FOUR
18 MILLION FIVE HUNDRED THOUSAND DOLLARS
19 (\$4,500,000), from the General fund to the "CAHAT" fund in
20 §4210 of Article 2, Chapter 4, 12 GCA, and FIVE HUNDRED
21 THOUSAND DOLLARS (\$500,000) are appropriated to the
22 "Foreclosure Protection Fund" in §4215 of Article 2, Chapter 4,
23 12 GCA for the purpose of carrying out the provisions of
24 Sections 2 and 3 of this Act.

25 (b) There is hereby authorized to be appropriated ONE
26 MILLION DOLLARS (\$1,000,000.00) from the General Fund
27 to the "Government Loan Guarantee Fund" in §4404 of Article 4,

1 Chapter 4, 12 GCA for carrying out the provisions of Section 6 of
2 this Act.

3 SECTION 8. A new Article 5 is hereby added to Chapter 4 of
4 Title 12, Guam Code Annotated to read

5 "Article 5 Citizens Housing Act of 1992."

6 §4500 Title.

7 §4501 Affordable Housing Board, Creation.

8 §4502 Meetings.

9 §4503 Duties.

10 §4504 Income Groups Affordability Index.

11 §4505 Sale of Affordable Units.

12 §4506 Rules and Regulations.

13 §4507 Staffing by Guam Housing Corporation.

14 §4508 Sunset Provision.

15 §4500. Title.

16 This act shall be known as the "Citizen's Housing Act of
17 1992".

18 §4501. Affordable Housing Board, Creation.

19 The Board of Directors of the Guam Housing Corporation
20 shall serve as the Affordable Housing Board hereafter referred
21 to as the "Board" and shall perform the duties and
22 responsibilities herein specified.

23 §4502. Meetings.

24 The Affordable Housing Board shall meet at least once every
25 month at a date determined appropriate by the Board. Notice of
26 each meeting shall be given at least Forty Eight (48) hours prior
27 to each meeting. Each member of the Board shall receive a

1 stipend of Fifty Dollars (\$50) per meeting not to exceed One
2 Hundred Dollars (\$100) per month regardless of the number of
3 meetings held in a given month. Stipends shall be paid for by the
4 Guam Housing Corporation.

5 **§4503. Duties.**

6 The duties of the Board in establishing community housing
7 guidelines to shall include, but not be limited to:

8 (a) Establish and update the Income Groups Affordability
9 Index in §4504.

10 (b) Defining first time home owners for various programs.

11 (c) Providing input for the Housing component of the
12 Territory's Comprehensive Master Plan.

13 (d) Certify to the zoning authority or its designate that
14 applicants applying for zone changes for developing residential
15 units meet the requirements contained in §61639, §61640,
16 §61641 and §61642.

17 (e) Certify to the Guam Economic Development Authority
18 that applicants requesting for Qualifying Certificates on the basis
19 of developing affordable housing meet affordable housing
20 development criteria established by the Board.

1 **§4504. Income Groups Affordability Index.**

2 The Board shall determine and publish quarterly the
3 Income Groups Affordability Index based on the HUD established
4 median income for Guam, financial lending institution's
5 underwriting guidelines, general mortgage rates, and general
6 economic conditions. The Board shall establish prices based on
7 the average of the income ranges for the following:

8 Income Group Categories	Percentage of HUD Median
9 I. Very Low Income	Below 80% of median
10 II. Low Income	80% to 100% of median
11 III. Moderate Income	101% to 120% of median
12 IV. High Moderate	121% to 150% of median
13 V. Low Middle Income	151% to 190% of median
14 VI. Middle Income	191% to 230% of median
15 VII. High Middle Income	231% to 280% of median
16 VIII. High Income	Above 280% of median

17 These guidelines shall apply only to housing programs and
18 shall not be used for any other governmental or social program
19 not pertaining to housing.

20 **§4504(a). Income Groups Affordability Index Applied to**
21 **Square Footage of Living Area.**

22 The Board shall calculate prices per square foot of living
23 area based on the index prices determined under §4504 for the
24 Income Groups Affordability Index. The index price per square
25 foot shall be based on the following formulas:

1 (1) Single Family Detached Units: Affordability Index price
2 divided by One Thousand Four Hundred (1,400) square feet of
3 living area.

4 (2) Attached Housing: Affordability Index price divided by
5 One Thousand (1,000) square feet of living area times Seventy
6 Percent (70%).

7 **§4505. Sale of Affordable Units.**

8 The Board shall develop the methodology, rules and
9 regulations for all homes sold that were developed under the
10 provisions of §61639 and §61641 (e) and (f) of Title 21 Guam
11 Code Annotated. The priority for all homes shall be determined
12 by a lottery conducted under the provisions of public law.
13 Priority shall be given to applicants in the Middle Income Group
14 and below. No affordable unit(s) shall be sold to an applicant(s) in
15 the high income group or ineligible group defined under
16 §61639a of Title 21 Guam Code Annotated unless there are an
17 insufficient number of applicants for the affordable units. In the
18 event that affordable units are to be sold to high income or
19 ineligible applicants, the affordable units shall be sold at market
20 prices. The difference between the lower of the Moderate Income
21 Index price or average price limit contained in §61639a of Title
22 21 Guam Code Annotated and the market price shall be remitted
23 by the developer to the CAHAT fund created in §4210 of Article
24 2 Chapter 4, 12 GCA. The Board may assess sellers fees payable
25 to Guam Housing Corporation to be used for expenses of the
26 Board and GHC staff in executing its duties herein. Such fees for

1 each unit shall be limited to One percent (1%) of the selling price
2 of the unit not to exceed One Thousand Dollars (\$1,000).

3 **§4506. Rules and Regulations.**

4 The Board shall develop rules and regulations for the
5 provisions contained within this Article under the Provisions of
6 the Administrative Adjudication Act.

7 **§4506(a). Against Discriminatory Practices.**

8 Under no circumstances will any standards of qualification
9 or eligibility developed by the Board be based upon an
10 individuals ethnicity, sex, color or religion. The Board shall
11 certify, by resolution, that all rules and regulations of the Board
12 and its programs comply with federal and territorial laws strictly
13 prohibiting discriminatory practices.

14 **§4506(b). Against speculation.**

15 The Board shall develop rules and regulations by which
16 speculation shall be prohibited and prevented.

17 **§4507 Staffing by Guam Housing Corporation.**

18 The Guam Housing Corporation shall provide logistic
19 support and staff assistance to the Board.

20 **§4508 Sunset Provision.**

21 The duties and responsibilities of the Guam Housing
22 Corporation Board of Directors, as contained herein, shall
23 terminate upon its own determination that such services are no
24 longer necessary.”

25 **SECTION 11.** New §61639, §61639a, §61640, §61640a,
26 §61641, §61642, §61643 are hereby added to Title 21, Guam
27 Code Annotated to read:

1 **§61639. Affordable homes.**

2 As a required condition for issuance of zone changes and/or
3 variances to the zoning laws of Guam, at least fifteen percent
4 (15%) of all homes constructed for sale in all housing,
5 condominium and townhouse projects of ten (10) or greater
6 units in which the lowest priced unit is less than Three Hundred
7 Thousand Dollars (\$300,000) which are issued building permits
8 thirty (30) days after the enactment hereof, and which are to be
9 constructed within the property for which a zone change or
10 variance to the zoning laws of Guam, is sought, shall be affordable
11 homes under the guidelines established by the Affordable
12 Housing Board of Directors under Article 5 of Chapter 4 of Title
13 12, GCA. Such affordable homes shall be an integral and
14 interspersed part of each development and not segregated into
15 low-cost areas or sections. The average price of all units sold as
16 affordable units shall not exceed the High Moderate Income Index
17 Price as determined by the Affordable Housing Board under the
18 conditions set forth in §4504 and 4504a of Article 5 of Chapter 4
19 of Title 12, GCA. No unit sold as an affordable unit shall have a
20 price that exceeds the Middle Income Price as determined by the
21 Affordable Housing Board under the conditions set forth in
22 §4504 and 4504a of Article 5 of Chapter 4 of Title 12, GCA. In
23 cases where the total number of units times Fifteen percent
24 (15%) does not equal a whole number, the developer shall:

25 (1) pay a cash assessment equal to the difference between
26 the market price and the High Moderate Income Index price
27 times the partial unit percentage, or

1 (2) provide an additional unit at price equal to the High
2 Moderate Income Index price plus the High Moderate Income
3 Index price times the difference between One (1) minus the
4 fractional percentage of the partial unit not to exceed the Middle
5 Income Price Index.

6 **§61639(a) Where Ineligible Groups Exist.**

7 In cases where the affordability index prices for any eligible
8 group in §4504 §4504a and §4505 of Article 5 of Chapter 4 of
9 Title 12, GCA is higher than the selling price of the market units,
10 applicants in those groups shall be ineligible to purchase
11 affordable units. In these cases the average affordable unit shall
12 not exceed the average Income Index Price of all eligible groups.

13 **§61640. High Priced Development Assessment.**

14 Developments exempt from the provisions of §61639
15 because the minimum unit is greater than Three Hundred
16 Thousand Dollars (\$300,000) shall be assessed a fee based on the
17 Development Assessment Formula in §61640a. Such fees shall be
18 paid in to the Community Affordable Housing Trust as contained
19 in §4210 of Chapter 4, Title 12 GCA.

20 **§61640(a). Development Assessment Formula.**

21 Average Unit Selling Price = A

22 Middle Income Price Index = M

23 Prorated cost of underlying real estate = P

24 Total number of units = T

25 Amount of Fee assessed equals $[A - M - P] \times [.15T]$

26 Where the Average Unit Selling Price is the sum of the
27 prices of all units in the development divided by the number of

1 units sold and the Middle Income Price Index is the price as
2 determined by the Affordable Housing Board under the
3 conditions set forth in §4504 and §4504a of Article 5 of Chapter
4 4 of Title 12, GCA. The Prorated Cost of Land shall be the higher
5 of the actual cost of the land divided by the number of units or
6 the unimproved fair market value divided by the number of
7 units.

8 **§61641. Exemptions from §61639 and §61640.**

9 Developments shall be exempt from the conditions of
10 §61639 and §61640 if any of the following conditions apply:

11 (a) The project is a viable Affordable Housing Project done
12 in conjunction with a Federal Government or Government of
13 Guam housing program, or

14 (b) If at least Twenty Five percent (25%) of the units in the
15 project are selling at prices equal to or below Sixty percent (60%)
16 of the appraised value of the unit and are made available to first
17 time home buyers under the definition of first time home buyer
18 as determined by the Affordable Housing Board defined in
19 Article 5 of Chapter 4 of Title 12, GCA. The appraised value of the
20 unit shall be determined by an appraiser selected by the
21 Territorial Land Use Commission and paid for by the developer,
22 or

23 (c) If at least Fifty Percent (50%) of the units in the project
24 are selling at prices equal to or below Eighty percent (80%) of the
25 appraised value and such homes have financing by or arranged
26 by the developer where the maximum down payment does not
27 exceed Five percent (5%) of the selling price and are made

1 available to first time home buyers under the definition of first
2 time home buyer as determined by the Affordable Housing
3 Board defined in Article 5 of Chapter 4 of Title 12, GCA.

4 §61642. Affordable Housing Requirements Attached
5 to Lot.

6 All lots in which a zone change or variance are granted
7 after the effective date of this act shall be continually subject to
8 the requirements of §61639 and §61640, unless specifically
9 exempted under the provisions of §61641 regardless of future
10 ownership. If the lot is subsequently sold, leased or conveyed
11 and Ten (10) or more units are developed for sale; if the lot is
12 subdivided and Ten (10) or more units are developed for sale by
13 one developer on the lots affected by the zone change/variance
14 regardless of time constraints; or if a zone change/variance was
15 granted for a condition other than development of homes for sale
16 and subsequent to such granting of a zone change/variance,
17 homes are developed for sale.

18 §61643. Certification Required.

19 The zoning authority or its designate shall receive
20 certification from the Affordable Housing Board defined in Article
21 5 of Chapter 4 of Title 12, GCA. prior to granting any zone
22 change / variance under §61639 and §61640 including projects
23 exempt under §61641.

24 SECTION 12. §2425 is added to Title 12, Guam Code
25 Annotated to read:

26 §2425. Qualifying Certificates for the Abatement of Gross
27 Receipt Taxes for Affordable Housing Projects.

1 The Corporation is hereby authorized to grant abatements
2 of gross receipt taxes to developers of affordable housing projects
3 that meet the affordable housing guidelines established by the
4 Affordable Housing Board defined in Article 5 of Chapter 4 of
5 Title 12, GCA and to their contractors and subcontractors. The
6 amount of the abatement shall be limited to taxes on the receipt
7 revenue earned from the affordable housing project only and
8 not to taxes on receipts of revenue from other projects of the
9 developer, contractor or subcontractor.

10 SECTION 13. Preparation of Master Plan for the
11 Development of Affordable, Special Needs and Market Units on
12 Portions of Lot NO. 5402 in the Municipality of Mangilao.

13 The Governor is hereby authorized to place Portions of Lot
14 NO. 5402 in the Municipality of Mangilao, consisting of Two
15 Hundred Seventy Two and One Half (272.50) acres under the
16 administrative jurisdiction of the Guam Housing Corporation for
17 the purpose of engaging the preparation of a master plan for the
18 development of affordable units, market units, and special needs
19 housing units. The master plan shall include but not be limited to
20 a land use plan, desired home specifications including floor plans,
21 archeological surveys, topographical surveys, environment
22 impact assessments, on-site/off-site infrastructure needs, the
23 type of building system utilized, home buyer takeout financing
24 strategies and target selling prices of the affordable units. For
25 purposes of this Section affordable units are those that are sold
26 at below market prices to low, moderate, and middle income
27 groups; market units are those that are sold at market prices in

1 the general real estate market with the profits being used as
2 means of funding the costs associated with the development and
3 selling the affordable and special needs units; and special needs
4 units are those that are sold or leased to special needs groups
5 such as the handicapped or elderly. The master plan shall include
6 the number of affordable, market, and special needs residential
7 units with no more than Thirty percent (30%) of the total
8 residential units to be built as market units. The affordable and
9 special needs units shall be allocated among home buyers based
10 on the results of the comprehensive housing study currently
11 under solicitation by the Guam Housing Corporation and the
12 Guam Economic Development Authority. Upon completion, the
13 Guam Housing Corporation shall submit the completed Master
14 Plan along with recommendations regarding infrastructure
15 needs, development bonds, and other essential items to the
16 legislature for authorization for further development.

17 **SECTION 14. Authorization for Appropriation For**
18 **Master Plan.**

19 Nine Hundred Thousand Dollars (\$900,000) are hereby
20 appropriated from the General Fund to the Guam Housing
21 Corporation for the purpose of completing the Master Plan
22 contained in Section 13 of this Act.

23 **SECTION 15. Authorization for Appropriation to**
24 **Guam Housing Corporation Revolving Loan Fund.**

25 There is hereby authorized to be appropriated from the
26 General Fund to the Guam Housing Corporation Revolving Loan

1 Fund the sum of TEN MILLION DOLLARS (\$10,000,000) to be
2 used under the provisions established by Public Law 20-210.

3 SECTION 16 SEVERABILITY:

4 If any provisions of this Act or the application
5 thereof to any person or circumstance, is held invalid,
6 such invalidity shall not affect any other provision or
7 application of this Act which can be given effect without
8 the invalid provision or application, and to this end the
9 provisions of the Act are severable.

10

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

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COMMITTEE REPORT

on

BILL NO. 95

*An Act to Create the Community
Affordable Housing Action Trust,
"CAHAT" within the Guam
Housing Corporation.*

March 9, 1992

Committee Findings and Recommendations

Recognizing the urgent need to develop affordable solutions to the housing problems on Guam and acknowledging the acceptability, to the major financial institutions engaged in the Guam's home mortgage loan market, of the proposed contained in Bill No. 95, as substituted and amended, the Committee on Housing, Community Development, Federal and Foreign Affairs herewith recommends the passage of said Bill No. 95 based on the following:

- The Committee finds that, in addition to an ever growing shortage of affordable homes for purchase and affordable construction rates for the building of affordable homes, one of the greater causes of the inaccessibility to affordable homes is the absence or lack of affordable financing methods by which homes can be purchased or built.
- The Committee finds that the government does not have the financial resources by which it can assist the greater majority of the many residents of Guam who need assistance in order to achieve the American Dream of owning their own homes.
- The Committee finds that the government must and should continue to have available certain programs by which it can assist the most needy but that there exists a large group of residents who do not need the level of assistance required by

others or vice versa. The Guam Housing Corporation's 6% Fixed Interest Rate Mortgage, established under Public Law 20-210, is a viable program which, over time, will be self-sufficient and can be used for the most needy of Guam's families. Other programs now being developed will likewise assist families whose financial capabilities have not maintained pace with the ever rising cost of living and home construction.

- The Committee finds that the quickest and most effective approach to the housing problem can and must be through a cooperative and collaborative participation of the government and private financial institutions which have greater financial resources than the government to provide the kind and level of assistance necessary to make any housing program viable over the long term.

- The Committee further finds that even if individuals or families enjoy the wages and stability to be able to afford the monthly payments of available financing packages, the existing requirement of a 20% down payment makes it impossible for the greater majority to even contemplate purchasing or building their first homes.

- The Committee finds that the private financial institutions are not capable of reducing this down payment requirement as it is a requirement of institutions or organizations insuring the risks associated with home mortgages.

- The Committee agrees, with the Guam Housing Corporation, that in order to relieve this requirement for a 20% down payment, it is necessary for the government to participate

in the risk management and insurance by establishing or participating in a mortgage insurance company which would be acceptable to the private lending institutions and by guaranteeing Guam Housing Corporation mortgages with the full faith and credit of the Government of Guam.

- The Committee finds that since six financial institutions on Guam, more specifically, the Bank of Guam, the Bank of Hawaii, the First Hawaiian Bank, CitiBank, First Savings and Loan and Guam Savings and Loan, have stated their commitment and willingness to participate in the new CAHAT program as developed by Guam Housing Corporation, that their combined knowledge and expertise in these matters is sufficient confidence in the program for the Guam Legislature to accept that it is a viable program which should be enacted through law.

TO STATE MATTERS MORE SIMPLY . . . IF THE LENDING INSTITUTIONS HAVE ENOUGH CONFIDENCE IN THE PROGRAM TO COMMIT THEIR RESOURCES, THEN THE PROGRAM AS PROPOSED AND ACCEPTED BY THOSE INSTITUTIONS MUST BE VIABLE.

- The Committee finds that since these financial institutions are confident in the potentials and probably success of the new program and that they are willing to commit \$14 Million to the program, then the confidence and willingness of the government to likewise commit its faith and credit is an acceptable risk and wise use of government funds.

- The Committee, after a mark-up meeting with the Guam Housing Corporation and the Guam Economic Development

Authority, is of the consensus that the consolidation of Bill No. 95 and Bill No. 104 and a program to permit the GHC and GEDA to develop a Master Plan for a major affordable housing development on government land would provide a complete affordable housing project that would be applicable and manageable for the foreseeable future.

- The Committee is of the consensus that the provisions of Bill No. 104 would provide the parameters, as well as, incentives, for the participation of developers in an affordable housing program beneficial to all on the island.

- Likewise, the Committee is of the consensus that dedicating government land for a major affordable housing development would provide contractors with the incentive to participate in order to showcase their offerings in the area of affordable housing, as well as, showcase their constructions skills and capabilities.

PUBLIC HEARING

The Committee on Housing, Community Development, Federal and Foreign Affairs, to which was referred Bill No. 95, An Act to Establish the "Community Affordable Housing Action Trust", conducted a public hearing on said measure on February 25, 1991, in the Guam Legislature's Public Hearing Room, at 9:00 a.m. Committee members present at the hearing were:

- Senator Francisco R. Santos, Chairman
- Senator Pilar C. Lujan, Vice Chair
- Senator Elizabeth P. Arriola
- Senator John P. Aguon
- Senator J. George Bamba
- Senator Marilyn D.A. Manibusan
- Senator Anthony C. Blaz
- Speaker Joe T. San Agusin

Testimonies Invited

As required by the Standing Rules of the Legislature, the public hearings were announced and public notices provided on three consecutive days in the Pacific Daily News, a newspaper of general circulation. Letters of invitation were transmitted to:

The Legislative Review Committee,

Office of the Governor

The Guam Housing Corporation

The Guam Housing and Urban Renewal Authority

The Guam Economic Development Authority

The Mayor's Council

All major banks.

The Guam Chamber of Commerce

Testimony Received

Appearing before the Committee to submit testimony were:

Mr. Peter J. Leon Guerrero, President

Guam Housing Corporation

Mr. Charles Crisostomo, Administrator

Guam Economic Development Authority

The Honorable Jose Rivera

Mayor of Dededo

The Honorable Antonio C. Babauta

Mayor of Agat

The Honorable Isabel Haggard

Mayor of Piti

The Honorable Teresita Borja

Vice Mayor of Tamuning

Mr. Anthony Leon Guerrero

Vice President, Bank of Guam

Mz. Velma Sablan Martinez

Mr. Ike C. Santos

Mr. Ray Lagutan

Mr. Don Dickens, RADVA Pacific

Mr. Tony Artero, Guam Board of Realtors

Summary of Testimony and Committee Research and Analyses

Note: Written testimony received is appended to this Committee Report.

As was anticipated, all testimony was in favor of the establishment of a program which would make available affordable financial assistance through which families of Guam could purchase or build their homes. It should be pointed out that several of those testifying were under the impression that the CAHAT program would be able to provide more than the financing package for the purchase or construction of a home. It should be noted that the Mayor of Agat, the Honorable Antonio C. Babauta, provided a listing of residents of Agat who were "landless" who could be assisted by the CAHAT program.

Overall, there was no testimony in opposition to the establishment of an affordable home financing method. Everybody submitted testimony which supported the intent and purposes of such a program.

However, there were differences in opinion on four important points in the program proposed through Bill 95 as introduced. Of particular note is the testimony submitted by Mr. Anthony Leon Guerrero, Vice President and Chief Operating Officer of the Bank of Guam which essentially summarized the concerns of the banking institutions on Guam and which caused them to more closely scrutinize any request for commitment. Mr. Leon Guerrero noted that the package as presented poses several problems:

1. The program being proposed must give reasonable assurances that the fixed long term mortgages are saleable on the secondary market. As presented in its original form, there were no assurances of secondary market saleability. In the absence of written commitments or some form of assurance from Freddie Mac, there was little to insure the saleability of the notes.

2. The insurance being provided by the proposal is much less than that which is provided for mortgage insurance companies or FHA. Banks, particularly local banks, are prepared to participate in local projects to secure affordable housing finances, but not to the extent that they feel they would expose themselves to unacceptable or unreasonable risks.

3. The subsidy provision in the proposal disappears if original purchaser (under the CAHAT program) vacates the

home. The banks would prefer that if the house is to be sold, the subsidy would remain, thereby increasing the saleability of the home and maintain some form of government protection on the subsequent, or second loan, on the home.

4. The acceptability of the mortgage insurance company being proposed in the legislation should be acceptable to Freddie Mac, either through rating or reinsurance, in order for the program to be acceptable to the secondary market or to the local banks who would be making the mortgages.

Mr. Leon Guerrero noted that the Bank of Guam was concerned about the acceptability of the program to Freddie Mac and that they were concerned that Freddie Mac had not made any written commitment on the matter. The Bank of Guam forwarded a copy of the proposed legislation to Freddie Mac for their review. Unfortunately, as of the writing of this report, no further information has been received on the matter from that organization.

Because of the need to secure the participation of the banks on Guam, the Committee has held Bill No. 95 in Committee until these questions were resolved. Of acute concern was the need for assurances from Freddie Mac in order for the banks to have the level of confidence required for a participation commitment of major sums of money. Without such confidence and participation, CAHAT would not work.

Relative to this matter, Mr. Peter Leon Guerrero, President of the Guam Housing Corporation, was informed of the serious concerns over the acceptability of the program to Freddie Mac.

Mr. Leon Guerrero was asked by the Chairman of the Committee to initiate efforts to secure a written commitment from Freddie Mac. In the last discussions with Guam Housing Corporation officials, it was noted that the program, as being substituted, has been presented to Freddie Mac, as well as, to HUD officials, with GHC officials fully explaining the workings of the program and that the new program did receive favorable comments from these officials.

While this matter was being discussed with officials of HUD and Freddie Mac, Governor Joseph F. Ada, the Chairman of the Committee on Housing, Community Development, Federal and Foreign Affairs, and Guam Housing Corporation have conducted active and intense discussions with local banks seeking their participation in the program. When the methodology for guaranteeing and insurance the packages was explained to the bankers, their receptivity to the program positively changed.

The first such meeting was with officials of Guam Savings and Loan, CitiBank and the Bank of Hawaii. The second such meeting was with First Savings, Bank of Guam and First Hawaiian Bank. At both of these meetings, it was concluded that the banks would be adequately protected and that participation by each bank of approximately \$2 Million would be reasonable with risks held at a minimum because of government participation and government guarantees.

At the present time, the Bank of Guam, the Bank of Hawaii, First Hawaiian Bank, CitiBank, Guam Savings and Loan and First Savings and Loan have all committed to

participating in the new program, as will be established by enactment of Bill No. 95, as substituted and amended. The commitment on the part of the banks including committing a total of \$14 Million in private financial institution funds to the CAHAT program.

It should also be noted that under the new program, as recommended by Guam Housing Corporation, and as substituted by the Committee, the active participation of Freddie Mac is not as critical as it was in the first CAHAT proposal. Though saleability on the secondary market will be enhanced because of the government's participation in the form of mortgage guarantees, it is felt, by both government and bank officials, that because of these guarantees, and other features of the program, the urgency to sell to the secondary market would not be as crucial. Because the government will be subsidizing the mortgages with interest free loans of between 30% to 50% of the total price of the home and because the government will be guaranteeing the mortgages, local banks have committed to participation based on such assurances and the backing of the faith and credit of the government of Guam. As noted previously, this commitment is presently pegged at \$14 Million. It is expected that as the program proceeds beyond these initial stages of its infancy and it becomes more refined and active, the commitment will increase.

The Committee feels that, if the major financial institutions on Guam, i.e., the Bank of Guam, the Bank of Hawaii, First Hawaiian Bank, CitiBank, Guam Savings and Loan and First

Savings and Loan have confidence in the new program and, because of such confidence, will commit in excess of \$2 Million each to this new program, legislation to make such affordable financing available to the people should not be delayed. The initial purpose of CAHAT was to make available and accessible the financial resources of private lending institutions to the people of Guam.