



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

OCT 06 1997

Refer to
Legislative Secretary

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	<u>[Signature]</u>
Time	<u>11:45am</u>
Date	<u>10-7-97</u>

Dear Speaker Unpingco:

Enclosed please find a copy of Substitute Bill No. 149 (COR), "AN ACT TO AMEND §4101, §4104(a), §4104(m), §4105, §4106, AND §4214, TO ADD A NEW §4103.5 AND §4106.1, AND ADD A NEW ARTICLE 6 TO CHAPTER 4, ALL TO TITLE 12 OF THE GUAM CODE ANNOTATED, AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF UP TO \$50,000,000 OF REVENUE BONDS OF THE GUAM HOUSING CORPORATION, AND TO AMEND SECTIONS 4, 6, 7, 8, 10, AND 13 OF P. L. NO. 20-225, RELATIVE TO THE LADA ESTATES AFFORDABLE HOUSING PROJECT.", which I have signed into law today as **Public Law No. 24-81.**

This legislation allows the issuance of up to \$50 Million of revenue bonds of the Guam Housing Corporation for the financing of mortgage loans for the purchase of homes by low and moderate income residents of Guam. A portion of this financing is also to be used for the Lada Estates Affordable Housing Project. This revenue bonds will be a special issue, payable from assets of the Guam Housing Corporation and not generally from the government of Guam.

This legislation will allow numerous residents of Guam who formerly could not afford to own their own homes to be able to participate in financing their own homes.

Very truly yours,

[Signature]
Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

00463

Office of the Speaker
ANTONIO R. UNPINGCO
 Date: 10/7/97
 Time: 8:30
 Rec'd by: [Signature]
 Print Name: Mark [Signature]

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

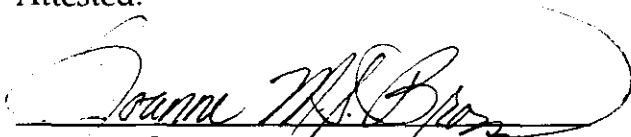
CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 149 (COR), "AN ACT TO AMEND §4101, §4104(a), §4104(m), §4105, §4106 AND §4214, TO ADD A NEW §4103.5 AND §4106.1, AND ADD A NEW ARTICLE 6 TO CHAPTER 4, ALL TO TITLE 12 OF THE GUAM CODE ANNOTATED, AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF UP TO \$50,000,000 OF REVENUE BONDS OF THE GUAM HOUSING CORPORATION, AND TO AMEND §§ 4, 6, 7, 8, 10 AND 13 OF P. L. NO. 20-225, RELATIVE TO THE LADA ESTATES AFFORDABLE HOUSING PROJECT," was on the 15th day of September, 1997, duly and regularly passed.




ANTHONY C. BLAZ
Acting Speaker

Attested:




JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 26th day of September, 1997, at
4:00 o'clock P.M.



Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: 10-6-97

Public Law No. 24-81

**TWENTY- FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session**

Bill No. 149 (COR)

As substituted by the Committee on Finance
and Taxation and as amended on the Floor.

Introduced by:

Committee on Rules,
Government Reform and
Federal Affairs

by request of the Governor in
accordance with the Organic
Act of Guam.

Mark Forbes

A. C. Blaz

A. C. Lamorena, V

T. C. Ada

F. B. Aguon, Jr.

E. Barrett-Anderson

J. M.S. Brown

Felix P. Camacho

Francisco P. Camacho

M. C. Charfauros

E.J. Cruz

W. B.S.M. Flores

L. F. Kasperbauer

C. A. Leon Guerrero

L. Leon Guerrero

V. C. Pangelinan

J. C. Salas

A. L.G. Santos

F. E. Santos

A. R. Unpingco

J. Won Pat-Borja

**AN ACT TO AMEND §4101, §4104(a), §4104(m),
§4105, §4106 AND §4214, TO ADD A NEW §4103.5
AND §4106.1, AND ADD A NEW ARTICLE 6 TO**

**CHAPTER 4, ALL TO TITLE 12 OF THE GUAM
CODE ANNOTATED, AND TO APPROVE THE
TERMS AND CONDITIONS OF THE ISSUANCE
OF UP TO \$50,000,000 OF REVENUE BONDS OF
THE GUAM HOUSING CORPORATION, AND TO
AMEND §§ 4, 6, 7, 8, 10 AND 13 OF P. L. NO. 20-225,
RELATIVE TO THE LADA ESTATES AFFORDABLE
HOUSING PROJECT.**

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

Section 1. Legislative Finding. Section 4103 of Title 12, Guam Code Annotated, authorizes the Guam Housing Corporation ("GHC") to encourage and engage in low and moderate income housing activities, including the development and financing of homes. Amendments are needed for the following purposes:

(a) to facilitate the issuance by GHC of its revenue bonds for the purpose of financing mortgage loans for the purchase of homes by low and moderate income residents of Guam;

(b) to provide GHC with perpetual succession and to permit GHC to utilize amounts originally appropriated to the Foreclosure Protection Fund of GHC to pay its mortgage insurance risk sharing obligations; and

(c) to amend P. L. No. 20-225, to allow GHC to utilize a portion of the proceeds of any bond issuance for the benefit of the Lada Estates Affordable Housing Project.

Subsection (k) of §2103 of Title 12, Guam Code Annotated, provides that agencies and instrumentalities of the government of Guam shall issue obligations only by means of and through the agency of the Guam Economic Development Authority ("GEDA"). This Subsection further provides that

1 GEDA shall not sell any obligation without the approval of the Guam
2 Legislature of the terms and conditions of the issuance of the obligations. The
3 Guam Legislature has been provided a proposed form of indenture, as
4 evidence by the attached "Exhibit A" made part of this Act, pursuant to which
5 GHC proposes to issue revenue bonds for the purchase of homes by low and
6 moderate income residents of Guam.

7 **Section 2. Recognizing that the GHC's Purpose is to Improve Housing**
8 **Supply and Affordability, as well as Housing Standards.** Section 4101 of
9 Title 12 of the Guam Code Annotated is hereby amended to read as follows:

10 "Section 4101. **Creation of Corporation: Name.** In order to
11 promote the general welfare of the inhabitants of the Territory of Guam
12 through the improvement of housing standards, housing supply and
13 housing affordability in Guam, there is created a body corporate to be
14 known as the Guam Housing Corporation, hereinafter referred to as the
15 "Housing Corporation." The Housing Corporation shall be deemed to
16 be exercising essential government functions and shall be subject to the
17 general direction of the Governor of Guam."

18 **Section 3. Addition of Definition of "Bonds."** A new §4103.5 is hereby
19 added to Title 12 of the Guam Code Annotated to read as follows:

20 "Section 4103.5. **Definition of 'Bonds.'** For purposes of this
21 Chapter the term 'bonds' shall mean any bonds, notes or other evidences
22 of indebtedness of the Housing Corporation issued pursuant to this
23 Chapter."

24 **Section 4. Providing for Perpetual Succession for the Guam Housing**
25 **Corporation.** Section 4104(a) of Title 12 of the Guam Code Annotated is
26 hereby amended to read as follows:

1 “(a) To have perpetual succession.”

2 **Section 5. Providing Authority for Guam Housing Corporation to**
3 **Obtain Financing for Certain Purposes.** Section 4104(m) of Title 12 of the
4 Guam Code Annotated is hereby amended to read as follows:

5 “(m) To borrow funds required to finance or refinance its revenue
6 producing projects or to finance or refinancing a home financing
7 program under §4602 by the issuance, from time to time, of bonds under
8 such terms and conditions as the Housing Corporation may prescribe,
9 and to pledge and assign specified revenues and other property of the
10 Housing Corporation to the repayment of such bonds.”

11 **Section 6. Clarifying that Guam Housing Corporation Bonds are**
12 **Special Obligations of Guam Housing Corporation.** Section 4105 of Title 12
13 of the Guam Code Annotated is hereby amended to read as follows:

14 **“Section 4105. Bonds as Special Obligations.** Every Bond issued
15 by the Housing Corporation pursuant to this Chapter shall be a special
16 obligation of the Housing Corporation payable solely from the revenues
17 and other property specified in the indenture or resolution providing for
18 the issuance of such bond. Every bond shall recite that it is not public
19 indebtedness of the Territory of Guam as that term is used in §11 of the
20 Organic Act.”

21 **Section 7. Providing for Various Terms and Conditions of the**
22 **Issuance of Bonds.** Section 4106 of Title 12 of the Guam Code Annotated is
23 hereby amended to read as follows:

24 **“Section 4106. Appointment of Trustee: Provision of Indenture**
25 **or Resolution.** (a) The Housing Corporation may appoint a bank or
26 trust company to act as trustee for the Board and the holders of the

1 bonds issued hereunder, and the Board may authorize the trustee to act
2 on behalf of the holders of the bonds, or a stated percentage thereof, and
3 to exercise and prosecute on behalf of the holders of the bonds such
4 rights and remedies as may be available to the holders.

5 (b) The indenture or resolution pursuant to which any bonds are
6 issued may provide for (i) the deposit of all revenues with the trustee
7 and for the holding thereof by the trustee in one or more separate funds
8 or accounts, and (ii) the transfer to such trustee of such portions of
9 revenues as are provided as security for the bonds and for the holding
10 thereof by such trustee in one (1) or more separate funds or accounts.
11 All money in each such fund or account shall be disbursed only as
12 provided in the indenture or resolution pursuant to which the bonds are
13 issued.

14 (c) Any indenture or resolution pursuant to which bonds of the
15 Housing Corporation are issued may provide for any or all of the
16 following:

17 (i) the payment of the principal and interest of the bonds
18 at one (1) or more places in the Territory or in the United States
19 and in any specified coin or currency of the United States;

20 (ii) the pledge and assignment of all or any portion of the
21 revenues or other property of the Housing Corporation, including,
22 without limitation, mortgage loans and mortgage-backed
23 securities, to secure the payment of the bonds, subject to existing
24 agreements with holders;

25 (iii) reserves or sinking funds in the hands of trustees,
26 paying agents and other depositories and the regulation and

1 disposition thereof;

2 (iv) limitations on the purpose to which the proceeds of
3 sale of bonds may be applied;

4 (v) limitations on the issuance of additional bonds, the
5 terms upon which additional bonds may be issued and secured
6 and the refunding of outstanding bonds;

7 (vi) the procedure, if any, by which the terms of any
8 contract with the holders of bonds may be amended or abrogated,
9 the amount of bonds the holders of which must consent thereto,
10 and the manner in which such consent may be given;

11 (vii) vesting in a trustee property, rights, powers and duties
12 in trust as the Housing Corporation determines;

13 (viii) the specification of the acts or omissions to act which
14 shall constitute a default in the obligations and duties of the
15 Housing Corporation to the holders of the bonds and providing
16 for the rights and remedies of the holders, and any limitations on
17 such rights and remedies, in the event of such default; and

18 (ix) any other matters of like or different character which in
19 any way affect the security or protection of the holders of the
20 bonds or the rights of the Housing Corporation.

21 (d) Bonds of the Housing Corporation issued pursuant to this
22 Chapter shall: (i) bear such date, (ii) mature at such times, (iii) bear
23 interest at such fixed or variable rates, (iv) be sold at public or private
24 sale at such prices above or below par, (v) be in such denominations, (vi)
25 be in such form, (vii) carry such registration privileges, (viii) be executed
26 in such manner and (ix) be subject to such terms of redemption as

1 provided in the indenture or resolution authorizing their issuance."

2 **Section 8. Establishing Validity of Pledge by Guam Housing**
3 **Corporation from Time Pledge is Made, Without Need for Further**
4 **Documentation.** A new §4106.1 is hereby added to Title 12 of the Guam Code
5 Annotated to read as follows:

6 "Section 4106.1. **Validity of Pledge.** Any pledge made by the
7 Housing Corporation shall be valid and binding from the time the
8 pledge is made. The revenues or other property pledged and thereafter
9 received by the Housing Corporation shall immediately be subject to
10 the lien of the pledge without any physical delivery thereof or further
11 act. The lien of any pledge shall be valid and binding against all parties
12 having claims of any kind in tort, contract, or otherwise against the
13 Housing Corporation, irrespective of whether such parties have notice
14 thereof. Neither the resolution, the indenture nor any other instrument
15 by which a pledge is created need be recorded."

16 **Section 9. Providing Authority for the Guam Housing Corporation to**
17 **Use the Foreclosure Protection Fund to Repay Bonds as well as to Pay Off**
18 **the First Mortgage on Foreclosure.** Section 4214 of Title 12 of the Guam Code
19 Annotated is hereby amended to read as follows:

20 "Section 4214. **Foreclosure Protection Fund.** There is hereby
21 created the Foreclosure Protection Fund (the 'Fund'). The Fund shall be
22 used by GHC to protect the interest of the Trust as the second mortgagee
23 and shall be used for the purpose of paying off the first mortgage on
24 foreclosure and may also be used to pay any obligation of the
25 Corporation pursuant to any risk sharing arrangement entered into
26 pursuant to §4602."

1 **'Lending institution'** means any public or private entity or
2 governmental agency approved by the Housing Corporation and
3 authorized by law to make or participate in making residential loans in
4 Guam.

5 **'Mortgage'** means a mortgage, deed of trust or other security
6 instrument which shall constitute a lien on real property in fee simple or
7 on a leasehold under a lease having a remaining term of a duration
8 necessary to protect the interest of the mortgagee thereunder, as
9 determined by the Housing Corporation.

10 **'Mortgage-backed security'** means any security, whether
11 guaranteed or not, backed by one (1) or more home mortgages or pools
12 consisting of home mortgages.

13 **Section 4602. Authorization of Home Financing Program.** In
14 addition to the powers of the Housing Corporation set forth elsewhere,
15 in this Chapter, and notwithstanding any restrictions, requirements or
16 limitations set forth in Articles 1, 2, 3, 4 and 5 of this Chapter, the
17 Housing Corporation shall have the power to make, purchase, make
18 commitments to purchase, and take assignments from lending
19 institutions, of home mortgages and mortgage-backed securities, under
20 terms and conditions specified by the Housing Corporation. The
21 Housing Corporation may obtain or require mortgagors to obtain
22 mortgage insurance on home mortgages, and may enter into risk-sharing
23 agreements with the providers of the mortgage insurance upon terms
24 and conditions determined by the Housing Corporation. Any
25 obligations of the Housing Corporation to a mortgage insurer under a
26 risk-sharing agreement shall be payable only out of the assets of the

1 Housing Corporation that are not pledged to secure other obligations of
2 the Housing Corporation."

3 **Section 11. Approval of Terms and Conditions to Guam Housing**
4 **Corporation Bonds.** The Guam Legislature, pursuant to Subsection (k) of
5 §2103 of Title 12, Guam Code Annotated, approves the terms and conditions
6 of the issuance by Guam Housing Corporation of revenue bonds in one (1) or
7 more issues or series in an aggregate principal amount not to exceed Fifty
8 Million Dollars (\$50,000,000), with a final maturity not exceeding forty (40)
9 years and bearing interest at fixed or variable rates not exceeding nine percent
10 (9.0%) per annum if interest on such bonds is intended to be excludable from
11 gross income for Federal income tax purposes, and twelve percent (12.0%) per
12 annum of interest on such bonds if not intended to be excludable from gross
13 income for Federal income tax purposes. The bonds shall be issued in one (1)
14 or more issues or series, pursuant to §4104 of Title 12, Guam Code Annotated,
15 and one (1) or more indentures in substantially the form of the indenture
16 presented to this Legislature, as evidenced by the attached "Exhibit A" made
17 part of this Act.

18 **Section 12. Local Sale of Bonds.** Guam Housing Corporation and
19 Guam Economic Development Authority shall undertake their best efforts to
20 cause a portion of any bonds issued pursuant to this Act to be offered for sale
21 in Guam, as well as in other jurisdictions, if and to the extent that such offer
22 and any sales resulting from such offer do not increase the cost to the Guam
23 Housing Corporation or government of Guam of issuing and repaying such
24 bonds.

25 **Section 13. Clarifying the Definition of First Time Homeowners for**
26 **Purposes of Public Law No. 20-225.** Section 4 of P. L. No. 20-225 is hereby

1 amended to read as follows:

2 **"Section 4. Definition of First Time Homeowners.** 'First time
3 homeowners' are defined as persons who have not had any ownership
4 interest in residential real property within the three (3) year period
5 immediately preceding the date of application for purchase of a unit
6 developed under this Act. Divorced persons having an ownership
7 interest in a joint property or individuals having an ownership interest
8 in the property of the parents do qualify as first time homeowners;
9 provided, that any interest in residential real property is terminated
10 prior to the date of application for the purchase of a unit developed
11 under this Act."

12 **Section 14. Amendment to Section 6 of Public Law No. 20-225 to**
13 **permit Corporation to Pay for Off-site Infrastructure.** Section 6 of P. L. No.
14 20-225 is hereby amended to read as follows:

15 **"Section 6. Prices.** The unit shall be sold at cost plus two percent
16 (2%), and Three Dollars (\$3.00) per square meter for the house lot, and
17 for a first time owner, no down payment shall be required. Costs shall
18 include, but are not limited to, all costs associated with the design, on-
19 site infrastructure, off-site infrastructure, construction, financing, sale
20 and project management of the development. The two percent (2%) in
21 excess of the costs shall be retained by the Corporation for the payment
22 of expenses it will incur during the construction and monitoring of the
23 project. The proceeds from the sale of the lots shall be retained by the
24 Corporation. Of these proceeds, Two Hundred Thousand Dollars
25 (\$200,000.00) shall be used to prepare a comprehensive housing study on
26 homeownership for Guam and the balance shall be used for costs

1 associated with future affordable housing projects. The Corporation
2 shall establish a fund for the proceeds of the land sales that is separate
3 from its other accounts and shall report to the Guam Legislature each
4 year on the status of this fund."

5 **Section 15. Repealing and Re-enacting Section 7 of Public Law No. 20-**
6 **225 to Define a Second Mortgage for Equity in Favor of the Guam Housing**
7 **Corporation.** Section 7 of P. L. No. 20-225 is hereby repealed and re-enacted to
8 read as follows:

9 "Section 7. **Second Mortgage for Equity.** The difference between
10 (a) the initial selling price of each unit, and (b) the lesser of the initial
11 appraised value of each unit at the time of sale or the maximum
12 purchase price permitted under §143 of the Internal Revenue Code, if
13 applicable, shall be treated as a shared-appreciation second mortgage
14 loan from the Corporation to the purchaser. The term of the loan shall
15 be twenty-five (25) years, the loan shall be subject to prepayment at any
16 time by the borrower and at maturity the loan shall be forgiven in its
17 entirety. The Corporation's share of appreciation (contingent, deferred
18 interest) shall be a percentage less than or equal to one-half (1/2) of the
19 ratio of the loan principal amount to the initial purchase price. The
20 Corporation may also charge deferred interest at a fixed rate not greater
21 than five percent (5%) per annum.

22 The Corporation shall also have for twenty-five (25) years a right
23 to first refusal upon any sale of the unit by the borrower or upon any
24 first mortgage default for which a notice of public auction is given. For
25 the first four (4) years from the date of purchase of the unit by the
26 borrower, the option price shall be the lesser of (i) the fair market value

1 of the unit at the time of sale, or (ii) the initial appraised value increased
2 in proportion to the increase in the consumer price index for Guam for
3 the period from the date of initial purchase of the unit to the date of sale.

4 After the first four (4) years, the option price shall be the fair market
5 value of the unit to the date of sale.

6 Any units purchased by the Corporation shall, if possible, be
7 resold to the first time homeowners under agreements with the same
8 general terms as the agreements with the original purchasers.

9 Any money received by the Corporation from the payment of any
10 loan authorized by this Section shall be deposited to the fund created
11 under Section 6 of Public Law No. 20-225. Amounts in the fund are also
12 authorized to be used to pay the purchase price of units purchased by
13 the Corporation pursuant to the option to purchase described in this
14 Section."

15 **Section 16. Guam Housing Corporation to Exercise Option Under**
16 **Second Mortgage for Equity in the Event of a First Mortgage Default.**

17 Section 8 of P. L. No. 20-225 is hereby amended to read as follows:

18 "Section 8. Default. In the event of a first mortgage default, with
19 respect to a unit the Corporation may exercise its option under Section 7
20 of Public Law No. 20-225 to purchase the unit or may bid for the unit at
21 the public auction."

22 **Section 17. Application of §143 of Internal Revenue Code to Any**
23 **Transferee of Bond-Financed First Mortgage.** Section 10 of P. L. No. 20-225 is
24 hereby amended to read as follows:

25 "Section 10. Gifts. The homeowner may without consideration
26 transfer by means of a gift, the home purchased under this Act to any

1 member of the homeowner's immediate family. For purposes of this
2 Act, 'immediate family' is defined as the homeowner's spouse, parents,
3 and children by birth or by legal adoption. In cases of authorized family
4 transfer, the same restrictions that applied to the previous homeowner
5 apply to the new homeowner. The assumption by the transferee of any
6 bond-financed first mortgage shall be subject to the requirements of
7 Section 143 of the Internal Revenue Code."

8 **Section 18. Clarification that Mortgages Financed by Guam Housing**
9 **Corporation Bonds do Not Disqualify a Person from Government of Guam**
10 **Mortgage Subsidy Programs.** Section 13 of P.L. No. 20-225 is hereby
11 amended to read as follows:

12 "Section 13. No Subsidy Mortgages. Persons who purchase a
13 home under this Act are not eligible for government of Guam mortgage
14 subsidy programs. For this purpose, mortgages financed by qualified
15 mortgage bonds issued by the Corporation shall not be treated as
16 financed by a mortgage subsidy program."

GUAM HOUSING CORPORATION

AND

[NAME OF TRUSTEE]
as Trustee

INDENTURE

Dated as of [Month] 1, 1997

Pertaining to:

\$ _____

**GUAM HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
(GUARANTEED MORTGAGE-BACKED SECURITIES PROGRAM)
1997 SERIES A**

and

\$ _____

**GUAM HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
(GUARANTEED MORTGAGE-BACKED SECURITIES PROGRAM)
1997 SERIES B**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 1.01. Definitions 4
Section 1.02. Interpretations 13
Section 1.03. Content of Certificate and Opinions 14

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds; Security 15
Section 2.02. Terms of the Bonds 16
Section 2.03. Execution of Bonds 17
Section 2.04. Transfer of Bonds 17
Section 2.05. Exchange of Bonds 17
Section 2.06. Bond Register 18
Section 2.07. Temporary Bonds 18
Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen 18
Section 2.09. Additional Bonds 19
Section 2.10. Book-Entry Only System 19
Section 2.11. Payments to Cede & Co. 20
Section 2.12. Validity of Bonds 20

ARTICLE III

**MANDATORY TENDER AND CONVERSION OR
REMARKETING OF 1997 SERIES B BONDS**

Section 3.01. Mandatory Tender of 1997 Series B Bonds on each Mandatory Tender Date 20
Section 3.02. Notice of Conversion or Remarketing 23
Section 3.03. Tender Agent; Remarketing Agent; Appointment and Duties 24

ARTICLE IV

REDEMPTION

Section 4.01. Establishment and Application of Redemption Fund and
Prepayment Account for the Bonds 26

Section 4.02.	Redemption of the Bonds	26
Section 4.03.	Selection of Bonds for Redemption	28
Section 4.04.	Notice of Redemption	29
Section 4.05.	Partial Redemption of Bonds	30
Section 4.06.	Effect of Redemption	30

ARTICLE V

FLOW OF FUNDS

Section 5.01.	Application of Proceeds of Bonds	31
Section 5.02.	Establishment and Application of Program Fund, Cost of Issuance Fund and Home Mortgage Recycling Fund	31
Section 5.03.	Establishment and Application of Revenue Fund and Capitalized Interest Account	34
Section 5.04.	Establishment of Other Funds; Allocation of Revenues	36
Section 5.05.	Application of Program Expense Fund	37
Section 5.06.	Establishment and Application of Rebate Fund	37
Section 5.07.	Application of Interest Fund	37
Section 5.08.	Application of Principal Fund	37
Section 5.09.	Deficiencies in the Interest Fund or Principal Fund	38
Section 5.10.	Investment of Moneys in Funds	38
Section 5.11.	Bond Escrow Fund	39
Section 5.12.	Bond Purchase Fund	39

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01.	Punctual Payment	40
Section 6.02.	Extension of Payment of Bonds	40
Section 6.03.	No Other Encumbrances	40
Section 6.04.	Power to Issue Bonds and Make Pledge and Assignment	40
Section 6.05.	Payment of Taxes and Claims	40
Section 6.06.	Accounting Records and Financial Statements	41
Section 6.07.	Maintenance of Powers	41
Section 6.08.	Tax Covenants	41
Section 6.09.	Compliance with Indenture, Contracts, Laws and Regulations	42
Section 6.10.	Program Covenants	42
Section 6.11.	Waiver of Laws	44
Section 6.12.	Further Assurances	44
Section 6.13.	Continuing Disclosure	44

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 7.01.	Events of Default	45
Section 7.02.	Acceleration of Maturity	45
Section 7.03.	Application of Revenues and Other Funds After Default	46
Section 7.04.	Trustee to Represent Owners	47
Section 7.05.	Owners' Direction of Proceedings	47
Section 7.06.	Limitation on Owners' Right to Sue	48
Section 7.07.	Absolute Obligation of Corporation	48
Section 7.08.	Termination of Proceedings	48
Section 7.09.	Remedies Not Exclusive	49
Section 7.10.	No Waiver of Default	49

ARTICLE VIII

THE TRUSTEE

Section 8.01	Duties, Immunities and Liabilities of Trustee	49
Section 8.02.	Compensation	51
Section 8.03.	Liability of Trustee	52
Section 8.04.	Right of Trustee to Rely on Documents	52
Section 8.05.	Preservation and Inspection of Documents	53
Section 8.06.	Money Held in Trust	54

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01.	Amendments Permitted	54
Section 9.02.	Effect of Supplemental Indenture	55
Section 9.03.	Endorsement of Bonds; Preparation of New Bonds	56
Section 9.04.	Amendment of Particular Bonds	56

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Indenture	56
Section 10.02.	Discharge of Liability on Bonds	57
Section 10.03.	Deposit of Money or Securities with Trustee	57
Section 10.04.	Payment of Bonds After Discharge of Indenture	58

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Liability of Corporation Limited to Revenues	58
Section 11.02.	Successor is Deemed Included in All References to Predecessor .	59
Section 11.03.	Limitation of Rights to Parties and Owners	59
Section 11.04.	Waiver of Notice	59
Section 11.05.	Destruction of Bonds	59
Section 11.06.	Severability of Invalid Provisions	59
Section 11.07.	Notices	60
Section 11.08.	Evidence of Rights of Owners	60
Section 11.09.	Disqualified Bonds	60
Section 11.10.	Money Held for Particular Bonds	61
Section 11.11.	Funds	61
Section 11.12.	Waiver of Personal Liability	61
Section 11.13.	Execution in Several Counterparts	61
Section 11.14.	Payments Other Than on a Business Day	61
EXECUTION	62
EXHIBIT A	Form of 1997 Series A Bond	A-1
EXHIBIT B	Form of 1997 Series B Bond	B-1

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Liability of Corporation Limited to Revenues	58
Section 11.02.	Successor is Deemed Included in All References to Predecessor .	59
Section 11.03.	Limitation of Rights to Parties and Owners	59
Section 11.04.	Waiver of Notice	59
Section 11.05.	Destruction of Bonds	59
Section 11.06.	Severability of Invalid Provisions	59
Section 11.07.	Notices	60
Section 11.08.	Evidence of Rights of Owners	60
Section 11.09.	Disqualified Bonds	60
Section 11.10.	Money Held for Particular Bonds	61
Section 11.11.	Funds	61
Section 11.12.	Waiver of Personal Liability	61
Section 11.13.	Execution in Several Counterparts	61
Section 11.14.	Payments Other Than on a Business Day	61
EXECUTION	62
EXHIBIT A	Form of 1997 Series A Bond	A-1
EXHIBIT B	Form of 1997 Series B Bond	B-1

INDENTURE

THIS INDENTURE, made and entered into as of [Month] 1, 1997, by and between the Guam Housing Corporation, a duly constituted body corporate, organized and existing under and by virtue of the laws of the Territory of Guam (the "Corporation") and [Name of Trustee], as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, Chapter 4 of Title 12 of the Guam Code Annotated (herein called the "Act") authorizes the Corporation to make, purchase and make commitments to purchase, and take assignments from lending institutions of, home mortgages and mortgage-backed securities, under terms and conditions specified by the Corporation; and

WHEREAS, the Act further authorizes the Corporation to borrow funds for any of its corporate purposes by the issuance, from time to time, of bonds under such terms and conditions as the Corporation may prescribe and to pledge and assign revenues and other property of the Corporation to the repayment of such bonds;

WHEREAS, the Act provides a complete, additional and alternative method for doing the things authorized thereby;

WHEREAS, the Corporation has determined to engage in a home financing program within the geographic boundaries of the Corporation by purchasing Mortgage-Backed Securities (as hereinafter defined) backed by pools of home mortgages made to eligible mortgagors by qualified lending institutions pursuant to the Act, and has determined to borrow money for such purpose by the issuance of revenue bonds as authorized by the Act;

WHEREAS, the Corporation has determined to: (i) issue its Single Family Mortgage Revenue Bonds (Guaranteed Mortgage-Backed Securities Program), 199_ Series _ (the "Bonds") to finance home mortgages to eligible mortgagors purchasing qualifying homes in accordance with the Act; and (ii) to enter into this Indenture to secure the Bonds by a pledge and assignment of the collateral described herein, including, but not limited to, the Investment Agreements (as hereinafter defined) and the Mortgage-Backed Securities and all rights of the Corporation under the Origination and Servicing Agreements (as hereinafter defined) on the terms and conditions herein set forth;

WHEREAS, the Corporation has determined that all acts, conditions and things required by the Act, and by all other laws of the Territory of Guam, to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the Corporation is now duly authorized and empowered,

pursuant to each and every requirement of law, to issue the Bonds for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

The Corporation, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Owners thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, and in order to secure the payment of all the Bonds at any time issued and Outstanding hereunder and the premium, if any, and interest thereon according to their tenor, purpose and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, has executed and delivered this Indenture and has pledged and assigned and does hereby pledge and assign to, and grant a security interest to, the Trustee and its successors in trust forever, for the securing of the performance of the obligations of the Corporation hereinafter set forth, all right, title and interest of the Corporation, now or hereafter acquired, in and to the following:

I

The Investment Agreements (as defined below), together with any permitted extensions and renewals thereof, including, without limitation, the present and continuing right to make claim for, collect and receive any of the income and principal payable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, including actions for the receipt or disposition of any collateral held thereunder, and to do any and all things which the Corporation is or may become entitled to do thereunder, excluding all amounts deposited to the Rebate Fund and amounts required to be deposited therein;

II

All right, title and interest of the Corporation in the Agreements, together with all extensions and renewals of the terms thereof, if any, including, without limitation, the present and continuing right to make claim for, collect and receive any of the income, revenues, profits and other sums of money payable or receivable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, to make claim for, collect, receive and dispose of any collateral therefor or any amounts receivable with respect thereto, and to do any and all things which the Corporation is or may become entitled to do under such Agreements;

III

All right, title and interest of the Corporation in and to the Mortgage-Backed Securities, together with all extensions and renewals of the terms thereof, if any, including, without limitation, the present and continuing right to make claim for, collect and receive any of the income, revenues, profits and other sums of money payable or receivable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, to make claim for, collect, receive and dispose of any collateral therefor or any amounts receivable with respect thereto, and to do any and all things which the Corporation is or may become entitled to do under such Certificates;

IV

All other moneys and obligations to the extent pledged as provided in this Indenture and held pursuant to this Indenture as security for the payment of the Bonds, including the principal of, premium, if any, and the interest on the Bonds, and as security for the satisfaction of any other obligation assumed by the Corporation in connection with the Bonds, excluding all amounts deposited to the Bond Purchase Fund, the Cost of Issuance Fund and the Rebate Fund and amounts required to be deposited therein; and

V

All proceeds of any of the foregoing pledged to the Bonds.

TO HAVE AND TO HOLD all and singular the Trust Estate as set forth above, whether now owned or hereafter acquired, to the Trustee and its successors in trust and assigns forever to its and their proper use;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and ratable benefit, security and protection of all present and future Owners of the Bonds issued and to be issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise (except as herein expressly provided) of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if, after the rights, title and interest of the Trustee in and to the estate pledged and assigned to it under this Indenture shall have ceased, terminated and become void with respect to the Bonds in accordance with Article X, then this Indenture and all covenants, agreements and other obligations of the Corporation hereunder shall cease, terminate and be void, and thereupon the Trustee shall cancel and discharge this Indenture and execute and deliver to the Corporation such instruments in writing as shall be required to evidence the discharge hereof, otherwise, this Indenture shall be and remain in full force and effect;

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and

all said payments and other revenues and other income and funds hereby pledged and assigned, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners of the Bonds, as follows (subject, however, to Section 2.01):

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture, and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless otherwise defined herein, all words and phrases defined in the Agreement shall have the same meaning herein.

"Act" means Chapter 4 of Title 12 of the Guam Code Annotated, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Agreements" means, collectively, (i) the Master Origination, Purchase, Pooling and Servicing Agreement, dated as of [Month] 1, 1997, by and among the Corporation, the Trustee and the Master Servicer, and all amendments or supplements thereto, and (ii) the Master Origination Agreements, dated as of [Month] 1, 1997, by and among the Corporation, the Trustee and the various Lenders, and all amendments or supplements thereto.

"Board" means the Board of Directors of the Corporation.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP, or another attorney(s) or firm(s) of attorneys selected by the Corporation and reasonably acceptable to the Trustee, experienced in the field of tax-exempt housing revenue bonds, and whose legal opinions with respect to such bonds are acceptable in national bond markets.

"Bond Escrow Fund" means the Fund by that name established pursuant to Section 5.11.

"Bond Escrow Fund Investment Agreement" means the investment agreement, dated [Month] __, 1997, between the Trustee and _____, and all amendments and supplements thereto.

"Bond Purchase Fund" means the Fund by that name established pursuant to Section 5.12.

"Bonds" means the 1997 Series A Bonds and the 1997 Series B Bonds.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions located in The City of New York, New York, or the city in which the principal corporate trust office of the Trustee is located, are required or are authorized by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed.

"Capitalized Interest Account" means the Account by that name in the Revenue Fund established pursuant to Section 5.03(A).

"Cash Flow Analysis" means one or more projections showing the receipt of cash on and after a specified date from Investment Securities and Certificates and its application to pay debt service on the Bonds and Program Expenses, which projections are adequate to receive from the Rating Agency a confirmation of the current rating on the Bonds.

"Certificate," "Statement," "Request," "Requisition" and "Order" mean, respectively, a written certificate, statement, request, requisition or order executed as follows: (1) if by the Corporation, by the Chair or Vice Chair of the Board of Directors of the Corporation or the President of the Corporation or such other person as may be designated and authorized to sign for the Corporation, and (2) if by a Lender, the Master Servicer or the Compliance Agent, by such person as may be designated and authorized to sign for such Lender, Master Servicer or the Compliance Agent, as applicable. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.03, each such instrument shall include the statements provided for in Section 1.03.

"Code" means the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated thereunder.

"Compliance Agent" means the _____, or its successor, as compliance agent under the Compliance Agent Agreement.

"Compliance Agent Agreement" means the Compliance Agent Agreement, dated as of [Month] 1, 1997, by and between the Corporation and the Compliance Agent and any other contract or contracts in substantially the same form entered into by the Corporation for the same purposes, in each case as originally executed or as it may from time to time be supplemented, modified or amended in accordance with the terms and conditions thereof and hereof.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement relating to the Bonds, dated [Month] __, 1997, between the Corporation and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Conversion" means the change in the interest rate on the 1997 Series B Bonds to fixed rates on a Mandatory Tender Date in accordance with Sections 3.01(C) and (D).

"Corporation" means the Guam Housing Corporation, a duly constituted body corporate, organized and existing under the laws of the Territory, including the Act.

"Cost of Issuance Fund" means the Fund by that name established pursuant to Section 5.02(C).

"Costs of Issuance" means the Corporation's administrative fees, if any, and all items of expense directly or indirectly payable by or reimbursable to the Corporation and related to the authorization, issuance, sale, delivery and/or remarketing of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee (including reasonable fees of its legal counsel) and the Compliance Agent (including fees and charges for services through the first year after issuance of the Bonds), legal fees and charges (including those of bond counsel, special counsel and underwriters' counsel), fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds or the Remarketing or Conversion of the 1997 Series B Bonds.

"DTC" means The Depository Trust Company, New York, New York.

"DTC Participants" means a broker, dealer, bank, other financial institution or other Person for whom from time to time DTC effects book-entry transfers and pledges of securities deposited with DTC.

"Event of Default" means any event of default specified in Section 7.01.

"FHLMC" means the Federal Home Loan Mortgage Corporation, or any successor thereto.

"FHLMC Certificate" means a mortgage participation certificate, bearing interest at the Pass-Through Rate, issued by FHLMC and representing an undivided interest in a pool of Home Mortgages, identified by particular alphanumeric number and CUSIP number and guaranteed as to timely payment of principal and interest by FHLMC.

"FHLMC Certificate Purchase Price" means ___% of the principal balance of the applicable pool of Home Mortgages on record at FHLMC on the first day of the month of purchase, plus the aggregate Home Mortgage Premium for the Home Mortgages in the applicable pool, plus accrued interest calculated based upon the unpaid principal balance of the FHLMC Certificate times the Pass-Through Rate divided by 360 and the result thereof times the number of days from the first day of the month of purchase to but not including the day of purchase, if any, as certified to the Trustee by the Master Servicer.

"Float Fund Investment Agreement" means the investment agreement, dated [Month] __, 1997, between the Trustee and _____, and all amendments and supplements thereto.

"Fund" or "Account" means any of the funds or accounts established pursuant to this Indenture.

"Home" means real property and improvements thereon consisting of a single dwelling unit and which is owned by a Mortgagor who occupies or intends to occupy such unit, including a condominium unit and a manufactured home affixed to a permanent foundation in accordance with local building codes, or, to the extent authorized by the Corporation, any dwelling structure consisting of two, three or four family dwelling units, one unit of which is occupied by the owner of the units, and which units were first occupied as homes at least five years before the Home Mortgage with respect to the owner-occupied unit is executed.

"Home Mortgage" means a loan made by a Lender on behalf of the Corporation with respect to a Home pursuant to and in accordance with the Act, the Agreements, this Indenture and the Program, evidenced by a Note and secured by a Mortgage, which, together with the applicable Mortgagor and Home, meets the applicable requirements of the Act, the Agreement, this Indenture, and the Program.

"Home Mortgage Recycling Fund" means the fund by that name established pursuant to Section 5.02(D).

"Indenture" means this Indenture dated as of [Month] 1, 1997 by and between the Corporation and the Trustee, as originally executed and as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants of national reputation selected by the Corporation and not objected to by the Trustee, and who, or each of whom, during the period of such accountant's or firm's professional engagement by the Corporation, or at the time of expressing an opinion required hereby: (1) is independent of the Corporation under generally accepted accounting principles; (2) does not have, and is not committed to acquire, any direct or material indirect financial interest in the Corporation; and (3) is not connected with the Corporation as an officer or employee, but who may be regularly retained to make annual or other audits of the books of, or reports of, the Corporation.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service, 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and

Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, as the Corporation may designate in a Certificate of the Corporation delivered to the Trustee or no such services if none exist.

"Interest Fund" means the Fund by that name established pursuant to Section 5.04.

"Interest Payment Date" means, with respect to the 1997 Series A Bonds and the 1997 Series B Bonds subsequent to Conversion, each _____ 1 and _____ 1, commencing on _____ 1, 1997 and, with respect to the 1997 Series B Bonds prior to Conversion, each Mandatory Tender Date.

"Investment Agreements" means, the Bond Escrow Fund Investment Agreement, the Float Fund Investment Agreement and the Program Fund Investment Agreement.

"Investment Securities" means, to the extent permitted by law, any of the following: (1) direct obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States, which obligations include, but are not limited to, the following: (i) United States Treasury obligations which are direct or fully guaranteed obligations of the United States of America, and (ii) senior obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by either Government National Mortgage Association or the United States Export-Import Bank; (2) Federal Housing Administration debentures; (3) Farm Credit System Financial Assistance Corporation senior debt obligations; (4) Federal funds, certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank, including the banking department of the Trustee, the debt obligations of which have been rated in the highest short-term rating category (for the maturity thereof) of the Rating Agency ("A-1+" in the case of Standard & Poor's Ratings Group); (5) with respect to investment of moneys in the Program Fund, an investment agreement between the Trustee and a financial institution whose unsecured long-term debt is rated at least Aa2 by Moody's Investors Service, Inc., if Moody's Investors Service, Inc. is a Rating Agency, and whose unsecured short-term debt is rated "A-1+" and whose unsecured long-term debt is rated at least "AA-" by Standard & Poor's Ratings Group; (6) with respect to investment of moneys in any Fund other than the Program Fund, an investment agreement between the Trustee and a financial institution whose unsecured long-term debt is rated in the highest rating category by the Rating Agency ("AAA" in the case of Standard & Poor's Ratings Group); (7) units in a taxable government money market mutual fund rated in the highest rating category by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. ("AAAm" in the case of Standard & Poor's Corporation) composed solely of obligations described in (1) through (3) above, including money market funds for which [Name of Trustee], its affiliates or subsidiaries provide investment advisory or other management services; and (8) the Investment Agreements. "Investment Securities" shall not include "derivative products" such as interest-only strips, principal-only strips, inverse floaters and structured notes.

"Lender" mean a lending institution executing the Agreement and meeting the eligibility criteria established for the Program.

"Letter of Representations" means the Blanket Letter of Representations from the Corporation to DTC with respect to the Bonds.

"Mandatory Tender Date" means _____ 1, 199_, the date the 1997 Series B Bonds are subject to mandatory tender for purchase or redemption, and any additional date for the mandatory tender for purchase or redemption of 1997 Series B Bonds established pursuant to Section 3.01(E).

"Mortgage" means a deed of trust, mortgage or other similar instrument or instruments creating a lien on the real property and the improvements thereon securing a Home Mortgage.

"Mortgage-Backed Security" means, with respect to any Series of Bonds, (1) a FHLMC Security or (2) any other guaranteed security backed by Home Mortgages and for which in each case the guaranty meets the requirements of Section 6.10 of the Indenture.

"Mortgagor" means the maker of, and any other party obligated on, a Note in connection with the acquisition of a Home through the borrowing of money pursuant to a Home Mortgage and includes, where appropriate, a subsequent owner of such Home who purchases such Home subject to the related Mortgage or who assumes such Note, and who, in each case, meets the applicable requirements of the Act, the Agreement, this Indenture and the Program.

"Note" means the promissory note or other document or documents evidencing the obligation of a Mortgagor to repay a Home Mortgage.

"Notice Address" means:

(A) As to the Corporation:

Guam Housing Corporation

_____, Guam _____

Attn: President

Facsimile: (671) ____ - ____

(B) As to the Trustee and the Tender Agent:

[Name of Trustee]

Attn: Corporate Trust Department

Facsimile: () ____ - ____

(C) As to the Compliance Agent:

Attn: _____
Facsimile: () ____-____

(D) As to the Rating Agency:

[Standard & Poor's Ratings Group, a division of The McGraw Hill
Companies, Inc.
25 Broadway
New York, New York 10004
Attention: Surveillance]

(E) As to each Lender, the address shown in the applicable Agreement.

"NRMSIR" means each then-existing Nationally Recognized Municipal Securities Information Repository within the meaning of Securities and Exchange Commission Rule 15c2-12.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Corporation shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

"Owner" or "Holder" means the person in whose name a Bond is registered on the registration books maintained by the Trustee.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Pass-Through Rate" means ___% with respect to the FHLMC Certificates to be financed with the proceeds of the 1997 Series A Bonds, and such other rate or rates as may be established in connection with the Conversion of the 1997 Series B Bonds; provided that the Pass-Through Rates for Mortgage-Backed Securities backed by Alternate Rate Home Mortgages shall be determined in accordance with Section 5.02(E).

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prepayment Account" means the Account by that name in the Redemption Fund established with respect to each Series pursuant to Section 4.01.

"Prepayments" means principal payments in addition to regularly scheduled principal payments on the Mortgage-Backed Securities.

"Principal Fund" means the Fund by that name established pursuant to Section 5.04.

"Program" means the program of financing Home Mortgages pursuant to the Act, Section 143 of the Code, this Indenture and the Agreement.

"Program Expense Fund" means the Fund by that name established pursuant to Section 5.04.

"Program Expenses" means (i) commencing on _____ 1, 199_, the fees and expenses of the Trustee, paid semiannually, in an amount not to exceed, 1/2 of .__% of the aggregate principal amount of the Bonds Outstanding; (ii) commencing on _____ 1, 199_, a monthly fee paid to the Corporation equal to 1/12 of .__% of the aggregate principal amount of Mortgage-Backed Securities related to the 1997 Series A Bonds; and (iii) commencing on _____, an additional Corporation fee, paid semiannually, in an amount equal to 1/2 of .__% of the aggregate principal amount of the Mortgage-Backed Securities related to the 1997 Series B Bonds].

"Program Fund" means the Fund by that name established pursuant to Section 5.02(A).

"Program Fund Investment Agreement" means the investment agreement between the Trustee and _____, and all amendments and supplements thereto.

"Purchase Date" means the first Business Day of each month and any other day acceptable to the Trustee and the Master Servicer on which the Master Servicer delivers Mortgage-Backed Securities to the Trustee for purchase as provided in Section 5.02(A); provided that no Purchase Date shall occur prior to _____, 199_, and unless the date for the transfer of moneys from the Program Fund to the Redemption Fund is extended as provided in Section 5.02(B), no Purchase Date shall occur after _____ 1, _____.

"Rating Agency" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., and any other national rating agency designated by the Corporation and which has assigned and is maintaining an investment rating on the Bonds.

"Rebate Amount" means, with respect to the Bonds, the amount defined in Treasury Regulation Section 1.148-3.

"Rebate Fund" means the Fund by that name established pursuant to Section 5.06.

"Record Date" means the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day.

"Redemption Fund" means the Fund by that name established pursuant to Section 4.01.

"Remarketing" means the establishment of a new Mandatory Tender Date for the 1997 Series B Bonds on a Mandatory Tender Date in accordance with Section 3.01(E).

"Remarketing Agent" means the remarketing agent for the 1997 Series B Bonds appointed as provided in Section 3.03(A).

"Revenue Fund" means the Fund by that name established pursuant to Section 5.03.

"Revenues" means all income, revenues, proceeds and other amounts received by the Trustee on behalf of the Corporation from or in connection with the Trust Estate, and any and all interest, profits or other income derived from the investment of amounts in any Fund established with respect to such Revenues (except amounts in the Rebate Fund) pursuant to this Indenture but shall not include any amount retained by the Master Servicer or the Compliance Agent as a servicing fee or other compensation.

"Rules and Regulations" means the Rules and Regulations Establishing Eligibility Criteria for Mortgagors and Home Mortgages, in each case as adopted by the Board, as such Rules and Regulations may from time to time hereafter be amended or supplemented.

"Securities Depositories" shall mean: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 2274039 or 4190; Midwest Securities Trust Company, Capital Structures Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as the Corporation may designate in a Certificate of the Corporation delivered to the Trustee.

"Series" means the 1997 Series A Bonds or the 1997 Series B Bonds, as applicable.

"Master Servicer" means either _____ or any successor designated by the Corporation with the approval of the Trustee and FHLMC.

"Territory" means the Territory of Guam or the Government of Guam, as appropriate given the context.

"Supplemental Indenture" means any indenture hereafter duly authorized under and in compliance with the Act and this Indenture, and entered into between the Corporation and the Trustee, which supplements, modifies or amends this Indenture.

"Tax Certificate" means, collectively, the Master Tax Certificate of the Corporation for the 1997 Series A Bonds and the Master Tax Certificate of the Corporation for the 1997 Series B Bonds, each dated _____, 1997.

"Tender Agent" means the tender agent for the 1997 Series B Bonds appointed as provided in Section 3.03(A).

"Trust Estate" means all rights set forth in the Granting Clauses hereof.

"Trustee" means [Name of Trustee], having a corporate trust office in _____, _____, or its successor, as Trustee hereunder as provided in Section 8.01.

Section 1.02. Interpretations.

(A) (1) the terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms refer to this Indenture, and the term "heretofore" means before, and the term "hereafter" means after, the date of this Indenture;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders, and words importing the singular number mean and include words importing the plural number, and vice versa;

(3) any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;

(4) this Indenture shall be governed by and construed in accordance with the applicable laws of the Territory;

(5) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption include the payment of such Bond at its stated maturity; and words importing the paying or redemption of Bonds shall include words importing the paying or redemption of portions of Bonds;

(6) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon; and

(7) any moneys, documents, securities, obligations or other items received by the Trustee for the account of the Corporation pursuant to the terms of this Indenture, other

than as compensation for services or reimbursement for expenses, shall be deemed to have been received by the Corporation.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Corporation, the Trustee and the Owners of the Bonds any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation and the Trustee, subject to Section 11.02, shall be for the sole and exclusive benefit of the Corporation, the Trustee and the Owners of the Bonds.

(C) For purposes of the application of Prepayments in accordance with Sections 4.01 and 5.03, Home Mortgages and Mortgage-Backed Securities means, with respect to the 1997 Series A Bonds, Mortgage-Backed Securities purchased with amounts deposited in the Program Fund upon issuance of the Bonds and the Home Mortgages backing such Mortgage-Backed Securities and, with respect to the 1997 Series B Bonds, Mortgage-Backed Securities purchased with amounts transferred from the Bond Escrow Fund to the Program Fund upon Conversion of the 1997 Series B Bonds and the Home Mortgages backing such Mortgage-Backed Securities. Prepayments on Mortgage-Backed Securities acquired with moneys in an account in the Home Mortgage Recycling Fund shall be deemed to be with respect to the related Series.

Section 1.03. Content of Certificate and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement as to whether, in the opinion of such person, such provision has been complied with; and (5) a statement that such person is authorized to execute and deliver such opinion or certificate.

Any such certificate or opinion made or given by an officer of the Corporation, a Lender, the Master Servicer or the Compliance Agent may be based, insofar as it relates to legal, accounting or Program matters, upon a certificate or opinion of or representation by counsel, accountant or program consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, accountant or program consultant may be based insofar as it relates to factual matters (with respect to which information is in the possession of the Corporation, the Lenders, the Master Servicer or the Compliance Agent) upon a certificate or opinion of or representation by an officer of the Corporation, a Lender, the Master Servicer or the Compliance Agent, unless such counsel, accountant or program consultant knows, or in the exercise of reasonable care

should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representations may be based, as aforesaid, is erroneous. The same officer of the Corporation, a Lender, the Master Servicer or the Compliance Agent, or the same counsel, accountant or program consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or program consultants may certify to different matters, respectively.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds: Security. The Corporation hereby authorizes the issuance of bonds to be designated as the "Guam Housing Corporation Single Family Mortgage Revenue Bonds (Guaranteed Mortgage-Backed Securities Program), 1997 Series A" and the "Guam Housing Corporation Single Family Mortgage Revenue Bonds (Guaranteed Mortgage-Backed Securities Program), 1997 Series B". The 1997 Series A Bonds and the 1997 Series B Bonds and the form of authentication and assignment to appear thereon shall be substantially in the form of Exhibit A hereto and Exhibit B hereto, respectively. The principal amount of 1997 Series A Bonds issued and secured pursuant to this Indenture is limited to \$ _____ and the principal amount of the 1997 Series B Bonds issued and secured pursuant to this Indenture is limited to \$ _____. The 1997 Series A Bonds shall bear interest, based on 30-day months and a 360-day year, at the rates set forth herein; provided that prior to Conversion, interest on the 1997 Series B Bonds shall be based on a 365-day year and days actually elapsed. Interest on the Bonds shall be payable and commonly secured without preference or priority of one Bond over another, payable on each Interest Payment Date. The Bonds shall be secured on a parity with each other, payable from Revenues as provided in this Indenture.

Principal of the Bonds is payable to the Owners thereof or their transferees on presentation at the principal corporate trust office of the Trustee or its successor. Interest on the Bonds is payable by check or draft of the Trustee mailed to the person in whose name the Bonds (or any predecessor Bonds) are registered on the registration books of the Trustee on the Record Date with respect to each Interest Payment Date; provided, however, that payment of such interest shall be made by wire transfer to any Owner of any Bonds in an aggregate principal amount of at least \$1,000,000, if such Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number and other necessary information for such purposes at least 15 days before the applicable Interest Payment Date. The principal of and interest on the Bonds are payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

The Bonds are limited obligations of the Corporation and are not a lien or charge upon the funds or property of the Corporation, except to the extent of the pledge and assignment set forth in the Indenture and in the Bonds. The Bonds do not constitute an

indebtedness or a loan of credit of the Government of Guam or the United States of America, within the meaning of any Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of Government of Guam is pledged to the payment of the principal of or interest on the Bonds. The Corporation has no taxing power. The Bonds are not a debt of the Government of Guam, and said Government of Guam is not liable for the payment thereof.

Section 2.02. Terms of the Bonds.

(A) The Bonds shall be issued in fully registered form in denominations of \$5,000 principal amount and integral multiples of \$5,000 principal amount in excess thereof. The Bonds shall be numbered in consecutive numerical order and with such other designation as the Trustee shall deem desirable.

The 1997 Series A Bonds shall be dated [Month] 1, 1997 and shall mature on the dates, shall be issued in the aggregate principal amounts and shall bear interest at the rates per annum set forth below:

1997 SERIES A BONDS

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The 1997 Series B Bonds shall be dated _____, 1997 and, prior to Conversion, shall mature on _____ 1, 20___. The 1997 Series B Bonds shall bear interest at a rate of ___% per annum to _____ 1, 199_. The interest rates for the 1997 Series B Bonds on and after _____ 1, 199_ and the maturity dates, principal amounts and interest rates for the 1997 Series B Bonds following Conversion shall be determined as provided in Article III.

(B) Each Bond shall bear interest from the Interest Payment Date next preceding the date thereof unless (i) it is dated after the Record Date with respect to an Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is dated prior to the first Interest Payment Date with respect thereto in which event it shall bear interest from its dated date. If, as of the date of any Bond, interest is in default on the Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or if interest has never been paid on such Bond from its dated date.

(C) The Bonds shall be subject to redemption as described in Article IV. The 1997 Series B Bonds shall be subject to mandatory tender for purchase or redemption as described in Article III.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Corporation with the manual or facsimile signatures of the Chair or Vice Chair of its Board of Directors or its President, attested by the manual or facsimile signature of the Secretary or Assistant Secretary of its Board of Directors. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Corporation before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Corporation, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Corporation as though those who signed and attested the same had continued to be such officers of the Corporation. Any Bond may also be signed and attested on behalf of the Corporation by such persons as at the actual date of execution of such Bond shall be the proper officers of the Corporation although at the nominal date of such Bond any such person shall not have been such officer of the Corporation.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form hereafter recited, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.04. Transfer of Bonds. The transfer of any Bond is registerable on the books required to be maintained pursuant to Section 2.06 upon the surrender of such Bond for cancellation and registration of transfer at the principal corporate trust office of the Trustee, accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Owner or by his attorney duly authorized in writing, provided, however, that the Trustee shall not be required to register the transfer of or exchange any Bond during the three days next preceding any date established by the Trustee for the selection of the Bonds for redemption nor to register the transfer of or exchange any Bond called for redemption after its selection for redemption and prior to the redemption date.

Whenever any Bond or Bonds shall be surrendered for transfer, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Section 2.05. Exchange of Bonds. Bonds may be exchanged at the aforesaid office of the Trustee for a like aggregate principal amount of Bonds of authorized denominations, provided, however, that the Trustee shall not be required to exchange any Bond during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to exchange any Bond called for redemption after its selection for redemption and prior to the redemption date. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.06. Bond Register. The Trustee will keep or cause to be maintained, at its principal corporate trust office sufficient books for the registration and registration of transfer of the Bonds, which shall be open to inspection by the Corporation during regular business hours, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on such books, of Bonds as hereinbefore provided. The Corporation and the Trustee may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes and the Corporation and the Trustee shall not be affected by any notice to the contrary.

Section 2.07. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when available for delivery. Any temporary bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Corporation, shall be in registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Corporation and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. Except for the initial Bonds, if the Corporation issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the principal corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal or maturity amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Corporation, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Corporation. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Corporation, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Corporation and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Corporation whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. In the event any such Bond shall have matured, the Trustee instead of issuing a replacement Bond may pay the same upon receipt of indemnity satisfactory to the Trustee and the Corporation.

Section 2.09. Additional Bonds. No additional bonds may be issued under this Indenture.

Section 2.10. Book-Entry Only System.

(A) The Bonds shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single typewritten certificate for each maturity.

(B) With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Bond register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond register, of the principal and interest, and premium, if any, with respect to the Bonds. Notwithstanding any other provision of this Indenture to the contrary, the Corporation and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the Bond register as the absolute owner of such Bond for the purpose of payment of the principal and interest, and premium, if any, with respect to the Bonds, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal and interest, and premium, if any, with respect to the Bonds only to or upon the order of the respective Owners, as shown in the Bond register as provided in this Indenture, or their respective agents duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Corporation's obligations with respect to payment of the principal and interest, and premium, if any, with respect to the Bonds, to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond register, shall receive a Bond certificate evidencing the obligation of the Corporation to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the phrase "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(C) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(D) The Corporation, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Corporation determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of the Bonds.

(E) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (D)(ii), or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (C) or subsection (D)(i) after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Corporation, is willing and able to undertake such functions upon reasonable and customary terms, the Corporation is obligated to deliver Bond certificates at the expense of the beneficial owners of the Bonds, as described in this Indenture and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 2.11. Payments to Cede & Co. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee to DTC, all payments of the principal and interest, and premium, if any, with respect to such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Letter of Representations.

Section 2.12. Validity of Bonds. The validity of the Bonds shall not be dependent on, nor be affected by the validity or regularity of, any proceedings relating to the Home Mortgages. The recital contained in the Bonds that they are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE III

MANDATORY TENDER AND CONVERSION OR REMARKETING OF 1997 SERIES B BONDS

Section 3.01. Mandatory Tender of 1997 Series B Bonds on each Mandatory Tender Date.

(A) The 1997 Series B Bonds shall be subject to mandatory tender for purchase or redemption in whole on each Mandatory Tender Date at a price equal to 100% of the principal amount thereof. The Owners of the 1997 Series B Bonds shall have no right to retain such Bonds on the Mandatory Tender Date.

(B) Payment of the purchase or redemption price of 1997 Series B Bonds on the Mandatory Tender Date shall be made by the Tender Agent (in the case of a purchase) or the Trustee (in the case of a redemption) upon delivery of such Bond (with necessary endorsements) to the Tender Agent at the address set forth in the notice of mandatory tender not later than 10:30 a.m., Los Angeles, California time, on the Mandatory Tender Date. Interest on any 1997 Series B Bond or portion thereof subject to tender on the Mandatory Tender Date which is not delivered on the Mandatory Tender Date, but for which there has been irrevocably deposited with the Tender Agent or the Trustee an amount sufficient to pay the purchase or redemption price thereof, shall cease to accrue on the

Mandatory Tender Date, the Owner of such Bond shall not be entitled to any payment other than the purchase or redemption price for such Bond, and such Bond shall no longer be Outstanding and entitled to the benefits of the Indenture, except the payment of the purchase or redemption price from moneys held by the Trustee for such payment. On the Mandatory Tender Date, the Trustee shall (if the 1997 Series B Bonds are subject to Conversion or Remarketing) authenticate and deliver substitute 1997 Series B Bonds in lieu of purchased and undelivered 1997 Series B Bonds.

(C) The Corporation may elect to convert the 1997 Series B Bonds to fixed rate Bonds on the Mandatory Tender Date. For Conversion to occur on the Mandatory Tender Date, the Corporation must deliver to the Trustee not less than 30 days prior to the Mandatory Tender Date a Request of the Corporation specifying the principal amount of 1997 Series B Bonds to be converted on the Mandatory Tender Date and must deliver to the Trustee on or prior to the Mandatory Tender Date:

- (1) A Certificate of the Corporation specifying the maturity dates, principal amounts, sinking fund installments and interest rates for the 1997 Series B Bonds computed and determined as described in paragraph (D);**
- (2) an opinion of Bond Counsel to the effect that such Conversion will not adversely affect the exclusion from gross income of interest on the 1997 Series A Bonds and the 1997 Series B Bonds for federal income tax purposes;**
- (3) a Cash Flow Analysis prepared as of the Mandatory Tender Date; and**
- (4) written confirmation from the Rating Agency that the rating assigned to the 1997 Series A Bonds shall not be reduced, suspended or withdrawn as a result of the Conversion;**

and the Tender Agent shall have received from the Remarketing Agent for deposit in the Bond Purchase Fund an amount in good funds equal to the aggregate principal amount of 1997 Series B Bonds to be converted.

If the conditions for Conversion are satisfied on the Mandatory Tender Date, the converted 1997 Series B Bonds shall be sold to the purchaser or purchasers thereof identified by the Remarketing Agent for delivery and settlement on the Mandatory Tender Date, the Tender Agent shall apply the moneys on deposit in the Bond Purchase Fund to the payment of the purchase price of such Bonds and the Conversion shall occur.

If the conditions for Conversion are not satisfied as required herein, then all 1997 Series B Bonds shall be redeemed on the Mandatory Tender Date.

(D) The interest rate for each maturity of 1997 Series B Bonds following Conversion shall be that interest rate which, in the determination of the Remarketing Agent, would result in the market value of such Bonds on the date of such determination being

100% of the principal amount thereof. The maturity dates, principal amounts and sinking fund installments for the 1997 Series B Bonds following Conversion shall be determined by the Remarketing Agent as follows:

The 1997 Series B Bonds shall have serial maturities on each _____ 1 and _____ 1, from _____ 1, _____ through _____ 1, _____, shall have a term maturity due _____ 1, _____, with mandatory sinking fund installments due on each _____ 1 and _____ 1 from _____ 1, _____ through _____ 1, _____, and shall have a term maturity due _____ 1, _____, with mandatory sinking fund installments due on each _____ 1 and _____ 1 from _____ 1, _____ through _____ 1, _____. The amount of each maturity and mandatory sinking fund installment shall be that amount which, together with all other maturity and mandatory sinking fund installment amounts for the 1997 Series B Bonds and the interest rates on the 1997 Series B Bonds determined as provided in Section 3.01(D) and assuming no redemption of 1997 Series B Bonds prior to maturity other than mandatory sinking fund redemption, results in debt service on the 1997 Series Bonds being as level as possible (subject to the restriction that maturities and mandatory sinking fund redemption amounts must be in even multiples of \$5,000).

(E) The Corporation may elect to remarket the 1997 Series B Bonds to a new Mandatory Tender Date (not less than 45 days nor more than 270 days following the Mandatory Tender Date) on the Mandatory Tender Date. For Remarketing to occur on the Mandatory Tender Date, the Corporation must deliver to the Trustee not less than 30 days prior to the Mandatory Tender Date a Request of the Corporation specifying the principal amount of 1997 Series B Bonds to be remarketed on the Mandatory Tender Date and must deliver to the Trustee on or prior to the Mandatory Tender Date:

- (1) A Certificate of the Corporation specifying the new Mandatory Tender Date and the interest rate to be borne by the 1997 Series B Bonds to such date determined as described in paragraph (F);
- (2) an opinion of Bond Counsel to the effect that such Remarketing will not adversely affect the exclusion from gross income of interest on the 1997 Series A Bonds and the 1997 Series B Bonds for federal income tax purposes;
- (3) a Cash Flow Analysis prepared as of the Mandatory Tender Date; and
- (4) written confirmation from the Rating Agency that the rating assigned to the 1997 Series A Bonds shall not be reduced, suspended or withdrawn as a result of the Remarketing;

and the Tender Agent shall have received from the Remarketing Agent for deposit in the Bond Purchase Fund an amount in good funds equal to the aggregate principal amount of 1997 Series B Bonds to be remarketed.

If the conditions for Remarketing are satisfied on the Mandatory Tender Date, the remarketed 1997 Series B Bonds shall be sold to the purchaser or purchasers thereof identified by the Remarketing Agent for delivery and settlement on the Mandatory Tender Date, the Tender Agent shall apply the moneys on deposit in the Bond Purchase Fund to the payment of the purchase price of such Bonds and the Remarketing shall occur.

If the conditions for Remarketing are not satisfied as required herein, then all 1997 Series B Bonds shall be redeemed on the Mandatory Tender Date.

(F) The interest rate for the 1997 Series B Bonds from the date of Remarketing to the new Mandatory Tender Date shall be that interest rate which, in the determination of the Remarketing Agent, would result in the market value of such Bonds on the date of such determination being 100% of the principal amount thereof.

Section 3.02. Notice of Conversion or Remarketing. Notice of Conversion or Remarketing shall be mailed not less than 20 days nor more than 60 days prior to the Mandatory Tender Date, to the Owners of any 1997 Series B Bonds, or portions thereof, designated for Conversion or Remarketing at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories, (iii) two or more Information Services, and (iv) each then-existing NRMSIR. Notice of Conversion or Remarketing to the Securities Depositories, the Information Services and the registered owners of \$1,000,000 or more in principal amount of Bonds shall be given by certified mail, return receipt requested, overnight delivery, legible telecopy or other secure means. Notice of Conversion or Remarketing mailed to the Securities Depositories should be received by the Depositories at least two (2) days prior to the date on which notice is given to all other Owners. Each notice of Conversion or Remarketing shall state the Mandatory Tender Date, the place or places for tender, the 1997 Series B Bonds to be purchased or redeemed and, if less than all 1997 Series B Bonds are to be purchased or redeemed, the numbers of the 1997 Series B Bonds to be purchased or redeemed and, in the case of the 1997 Series B Bonds to be purchased or redeemed in part only, the respective portions of the principal amount thereof to be purchased or redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the purchase or redemption price thereof, and that from and after such date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Failure by the Trustee to give notice pursuant to this Section 3.02 to any one or more of the Information Services, Securities Depositories, or NRMSIR's, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for Conversion or Remarketing and the Trustee shall have no liability therefor. Failure by the Trustee to mail notice of Conversion or Remarketing pursuant to this Section 3.02 to any one or more of the respective Owners of any Bonds designated for purchase or redemption shall not affect the sufficiency of the proceedings for purchase or redemption with respect to the Owners to whom such notice was mailed and the Trustee shall have no liability therefor.

Notice of Conversion or Remarketing as described herein shall be given by the Trustee for and on behalf of the Corporation. Such notice shall be deemed to have been given when mailed, first class postage prepaid, to the Owner of the Bond.

Any notice of Conversion or Remarketing of 1997 Series B Bonds shall state that if the conditions for Conversion of such Bonds on the Mandatory Tender Date are not satisfied (including the availability of funds sufficient to purchase such Bonds) such Bonds will be redeemed on such date.

Section 3.03. Tender Agent; Remarketing Agent; Appointment and Duties.

- (A) The Corporation hereby appoints the Trustee the Tender Agent and the Remarketing Agent.
- (B) The Corporation may enter into agreements with the Remarketing Agent and the Tender Agent to effect the Conversion and Remarketing of the 1997 Series B Bonds under this Indenture.
- (C) In addition to the obligations of the Remarketing Agent described elsewhere in this Indenture, the Remarketing Agent shall further:
- (i) During the term of the Remarketing Agreement, (I) keep such books and records available for inspection by the Corporation, the Tender Agent, and the Trustee at all reasonable times and (II) hold all moneys delivered such moneys until the 1997 Series B Bonds purchased with such moneys have been delivered to or for the account of such person or entity.
 - (ii) At least thirty (30) days prior to the date on which the Conversion or Remarketing of the 1997 Series B Bonds shall be scheduled to occur, the Remarketing Agent shall advise the Corporation and the Trustee (I) whether any disclosure document or offering materials or any legal opinions shall be required by the Remarketing Agent for use in remarketing Bonds or as a condition to settlement and delivery of such Bonds on such date, whether counsel has been retained by the Remarketing Agent in connection with the preparation thereof, and, if such counsel shall have been or is to be retained, the identity and address of such counsel, and (II) whether any information is required to be furnished by the Corporation or the Trustee to any rating agency or to the Remarketing Agent in connection with a request for confirmation of the rating category or categories assigned to the 1997 Series A Bonds as contemplated in Sections 3.01(C) and (E), as applicable.
 - (iii) Submit a request to the Rating Agency for a confirmation that the Conversion or Remarketing, as applicable, will not result in a reduction, suspension or withdrawal of the rating in the 1997 Series A Bonds, and thereafter from time to time respond promptly to requests received from Rating Agency for additional information required in connection therewith.
 - (iv) Request from the Corporation any information required to be furnished in order to complete (I) the information necessary in connection with any request for rating confirmation, (II) the preparation of any disclosure

document or offering materials to be used in remarketing 1997 Series B Bonds, or (III) the preparation of any legal opinions to be rendered in connection with either thereof or as a condition to settlement and delivery of remarketed 1997 Series B Bonds.

(v) (I) Offer for sale and use its best efforts to sell all 1997 Series B Bonds resulting from Conversion or Remarketing for delivery as contemplated in Section 3.03(C)(vi), and (II) tender advice to the Corporation in connection with the determination by the Corporation of the interest rate or rates to be borne by the 1997 Series B Bonds following Conversion or Remarketing.

(vi) (I) Not later than 3:00 P.M. New York City time on the Business Day immediately preceding a Tender Date, give telephonic or telegraphic notice, promptly confirmed in writing, to the Trustee, the Corporation, and the Tender Agent advising such parties if the Bonds subject to tender hereunder have been remarketed as provided in this Indenture and, if so, the aggregate outstanding principal amount of the remarketed Bonds, (II) not later than 11:00 A.M. New York City time on the Mandatory Tender Date, remit to the Tender Agent in immediately available funds all moneys, if any, delivered to the Remarketing Agent for the purchase of such remarketed Bonds in an amount equal to the Purchase Price of all such Bonds sold by the Remarketing Agent, plus accrued interest, if any shall be due, thereon and (III) from time to time, but not later than 5:00 P.M. New York City time on the Business Day immediately preceding the Mandatory Tender Date to the extent known to the Remarketing Agent, but in no event later than 11:00 A.M. New York City time on the Mandatory Tender Date, deliver to the Trustee and the Tender Agent information as to denominations, names, addresses and taxpayer identification numbers of the purchaser or purchasers of the remarketed Bonds sufficient to enable the Trustee or the Tender Agent, as the case may be, to prepare definitive bonds for delivery to such purchaser or purchasers.

(D) In addition to the obligations of the Tender Agent described elsewhere in this Indenture with respect to the Remarketing and Conversion of 1997 Series B Bonds on the Mandatory Tender Date, the Tender Agent shall:

(i) Keep books and records and make such books and records available for inspection by the Trustee, the Corporation and the Remarketing Agent at reasonable times on any Business Day upon reasonable notice in writing two days prior to any proposed inspection.

(ii) Prior to the Mandatory Tender Date, hold all Bonds delivered to it in trust on behalf of the tendering Bondholders; on and after each Tender Date, (I) if all applicable conditions to the remarketing of 1997 Series B Bonds set forth in Section 3.03(C) shall have been satisfied within the respective time periods specified therein, (a) deliver to the Remarketing Agent, against payment therefor, definitive bonds prepared by the Trustee or by the Tender

Agent, as the case may be, in accordance with Section 3.03(C), and (b) hold all sums delivered to it by the Remarketing Agent, in trust until such sums shall be applied to pay the purchase price of tendered 1997 Series B Bonds to or upon the order of tendering Bondholders, in immediately available funds; or (II) in the event all applicable conditions set forth in Section 3.03(C) shall have not been met, surrender to the Trustee for redemption all of the tendered 1997 Series B Bonds.

(E) The Remarketing Agent and Tender Agent shall be subject to removal by the Corporation at any time upon notice given to the Trustee, the Remarketing Agent and the Tender Agent. The Remarketing Agent may at any time resign from its duties hereunder upon notice given to the Corporation, the Trustee and the Tender Agent.

ARTICLE IV

REDEMPTION

Section 4.01. Establishment and Application of Redemption Fund and Prepayment Account for the Bonds. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Redemption Fund" and, with respect to each Series, a special account therein designated as the "_____ Prepayment Account" (inserting the Series designation). The Trustee shall apply all amounts deposited in the Redemption Fund (or in the Revenue Fund to the extent the Trustee determines that such amounts will become transferable to the Redemption Fund on the following redemption date) to the redemption of the Bonds, in the manner and upon the terms and conditions specified in this Article at the next succeeding date of redemption for which timely notice of redemption can be given in accordance with this Article. Prepayments with respect to the Mortgage-Backed Securities of a Series shall be deposited in the Prepayment Account of such Series of the Redemption Fund upon receipt thereof by the Trustee. Subject to Section 5.02(D), the Trustee shall apply amounts in the Prepayment Account with respect to a Series to redeem Bonds of such Series pursuant to Section 4.02(A)(3).

Section 4.02. Redemption of the Bonds. The Bonds are subject to redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, as described below; provided that with respect to any mandatory redemption of the Bonds pursuant to paragraphs (1) or (2) below, the redemption price of the 1997 Series A Bonds maturing on _____ 1, 20__ will be equal to __. __% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption and the redemption price of the 1997 Series A Bonds maturing on _____ 1, 20__ will be equal to __. __% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

(A) The Bonds are subject to mandatory redemption as follows:

(1) as a whole or in part on a pro rata basis among all maturities of the Bonds on _____ 1, 199_ (or such earlier date on or after _____ 1, 199_

specified by the Corporation or such later date as may be established in accordance with Section 5.02(B)) from amounts transferred from the Program Fund to the Redemption Fund which have not been used to acquire Mortgage-Backed Securities by such date and amounts transferred from the Capitalized Interest Account in connection therewith;

(2) as a whole or in part on the first day of any month, commencing _____ 1, 199_, on which amounts on deposit in a Prepayment Account in the Redemption Fund from prepayments on the Home Mortgages with respect to the Bonds of such Series equal or exceed \$100,000; and

(4) as a whole or in part on each Interest Payment Date, commencing _____ 1, 199_, in an amount equal to amounts on deposit in the Redemption Fund (including amounts in the Prepayment Account) on such Interest Payment Date; provided that no such redemption will occur unless the amount of Bonds to be redeemed equals at least \$25,000.

The Trustee shall determine the Bonds to be redeemed pursuant to this Section 4.02(A) at the times and in the manner set forth in Section 4.04.

(B) The Bonds are not subject to optional redemption prior to maturity.

(C) The 1997 Series A Bonds maturing on _____ 1, _____ are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on the dates specified below the respective principal amount of such Bonds specified as follows:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
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*Maturity

The 1997 Series A Bonds maturing on _____ 1, _____ are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on the dates specified below the respective principal amount of such Bonds specified as follows:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
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***Maturity**

The 1997 Series A Bonds maturing on _____ 1, ____ are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on the dates specified below the respective principal amount of such Bonds specified as follows:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
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***Maturity**

The 1997 Series B shall be subject to mandatory sinking fund redemption as determined in accordance with Section 3.01(D).

Upon any purchase or redemption of the Bonds other than by sinking fund payment, an amount equal to the principal amount of the Bonds so purchased or redeemed will be credited towards a part or all of any one or more redemptions for the Bonds of the same maturities, on a pro rata basis (rounded to \$5,000 denominations) or as otherwise directed in writing by the Corporation, which writing shall be accompanied by a Cash Flow Analysis and a confirmation of the Rating Agency that the then-current rating on the Bonds will not be reduced as a result of such direction and shall state the years in which and the amounts by which such sinking fund redemptions are to be reduced. The portion of any such sinking fund redemptions remaining after the deduction of any such amounts credited toward the same (or the original amount of any such sinking fund redemption if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such sinking fund redemption for the purpose of the calculation of sinking fund redemptions due on any future date. All Bonds so purchased shall be delivered to the Trustee.

Section 4.03. Selection of Bonds for Redemption. [If Bonds are to be redeemed pursuant to Section 4.02(A)(1), the particular Bonds to be redeemed shall be selected from the Series to which the amounts transferred from the Program Fund to the Redemption Fund relates. If Bonds are to be redeemed pursuant to Section 4.02(A)(2), the particular Bonds to be redeemed shall be selected from the related Series. If Bonds are to be redeemed pursuant to Section 4.02(A)(3), the particular Bonds to be redeemed shall be selected from Bonds of each Series on a pro rata basis. The Bonds to be redeemed pursuant to Section 4.02(A)(1) of a Series shall be selected on a pro rata basis from among all tenors and maturities and, within a maturity, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. The 1997 Series A Bonds to be redeemed pursuant to Sections 4.02(A)(2) or 4.02(A)(3) shall be selected in the following order of

priority: first, 1997 Series A Bonds maturing on _____; second, 1997 Series A Bonds maturing on _____; and third, 1997 Series A Bonds maturing on _____. The 1997 Series B Bonds to be redeemed pursuant to Section 4.02(A)(2) or 4.02(A)(3) shall be selected on a pro rata basis.]

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed, but Bonds will be redeemed only in the principal amount of \$5,000 each or any integral multiple thereof.

In the event of redemption of less than all of the Outstanding Bonds of a Series, tenor and maturity, within such Series, tenor and maturity redemption will be by lot, and the Trustee will assign to each Outstanding Bond of such series and maturity a distinctive number for each \$5,000 of the principal amount of such Bond and will select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at \$5,000 principal amount for each number, will equal the principal amount of the Bonds to be redeemed. The Bonds to be redeemed will be the Bonds to which were assigned the numbers so selected, but only so much of the principal amount of each Bond of a denomination of more than \$5,000 principal amount will be redeemed as will equal \$5,000 principal amount for each number assigned to it and so selected.

Section 4.04. Notice of Redemption. Notice of redemption shall be mailed not less than 30 days (20 days with respect to special mandatory redemption pursuant to 4.02(A)(1)) or redemption on a Mandatory Tender Date nor more than 60 days prior to the redemption date, to (i) the Owners of any Bonds, or portions thereof, designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories, (iii) two or more Information Services, and (iv) each then-existing NRMSIR. Notice of redemption to the Securities Depositories, the Information Services and the registered owners of \$1,000,000 or more in principal amount of Bonds shall be given by certified mail, return receipt requested, overnight delivery, legible telecopy or other secure means. Notice of redemption mailed to the Securities Depositories should be received by the Depositories at least two (2) days prior to the date on which notice is given to all other Owners. Each notice of redemption shall state the redemption date, the place or places of redemption, the Bonds to be redeemed and, if less than all Bonds are to be redeemed, the numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Failure by the Trustee to give notice pursuant to this Section 4.04 to any one or more of the Information Services, Securities Depositories or NRMSIR's, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this Section 4.04 to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

Notice of redemption shall be given by the Trustee for and on behalf of the Corporation. Such notice shall be deemed to have been given when mailed, first class postage prepaid, to the Owner of the Bond.

Any notice of the redemption of Bonds may state, that such notice is conditional and that if the conditions for redemption of such Bonds on the scheduled redemption date are not satisfied (including the availability of funds sufficient to redeem such Bonds) such Bonds will not be redeemed on such date and any Bonds tendered for payment on such date will be returned to the Owners thereof.

For purposes of giving notice of redemption of Bonds in accordance with Section 4.02(A)(1) the Trustee shall determine the principal amount of Bonds of each Series to be redeemed and shall select Bonds for redemption not less than 20 days nor more than sixty days prior to the applicable redemption date. For purposes of giving notice of redemption of Bonds in accordance with Section 4.02(A)(2) or Section 4.02(A)(3), the Trustee shall determine the principal amount of Bonds of each Series to be redeemed and shall select Bonds for redemption not less than 35 days nor more than 60 days prior to the applicable redemption date. In making such determinations, the Trustee shall take into account Prepayments actually received on or prior to such date of determination and scheduled payments of principal and interest on the Mortgage-Backed Securities to be received prior to such redemption date.

Section 4.05. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Corporation shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Corporation, a new Bond or Bonds of authorized denominations, and of the same Series, tenor and maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.06. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys being held by the Trustee for payment of the redemption price of, and interest accrued to the redemption date on, the Bonds so called for redemption on the redemption date designated in such notice, said Bonds shall become due and payable at the redemption price specified in such notice and interest on the Bonds so called for redemption shall cease to accrue. Said Bonds shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed by the Trustee.

ARTICLE V

FLOW OF FUNDS

Section 5.01. Application of Proceeds of Bonds.

(A) Upon the issuance of the Bonds, \$ _____ of the proceeds of the 1997 Series A Bonds shall be deposited by the Trustee in the Program Fund, and \$ _____, constituting accrued interest, shall be deposited in the Revenue Fund.

(B) Upon the issuance of the Bonds, the proceeds of the 1997 Series B Bonds shall be deposited by the Trustee in the Bond Escrow Fund.

(C) On the date of issuance of the Bonds, the Corporation shall deposit (or have deposited on its behalf) with the Trustee \$ _____, of which amount \$ _____ shall be deposited by the Trustee in the Capitalized Interest Account and \$ _____ shall be deposited in the Cost of Issuance Fund.

Section 5.02. Establishment and Application of Program Fund, Cost of Issuance Fund and Home Mortgage Recycling Fund.

(A) The Trustee shall establish and maintain and thereafter hold in trust a separate fund designated as the "Program Fund". Moneys in the Program Fund shall be withdrawn solely for (1) the acquisition of Mortgage-Backed Securities from the Master Servicer pursuant to its Agreement on each Purchase Date (and to make transfers to the Cost of Issuance Fund and the Corporation as described below); (2) deposit to the Redemption Fund for the redemption of Bonds pursuant to Sections 4.02(A)(1); and (3) transfers to the Rebate Fund pursuant to Section 5.06.

On each Purchase Date, the Trustee shall acquire Mortgage-Backed Securities from the Master Servicer as provided in its Agreement and this Indenture. The purchase price of each FHLMC Certificate acquired from the Master Servicer on a Purchase Date shall be the FHLMC Certificate Purchase Price. Upon such purchase, the Trustee shall transfer from the Program Fund [(1) to the Revenue Fund an amount equal to .__% of the outstanding principal amount of each Mortgage-Backed Security so purchased, and (2) to the Corporation, free and clear of the lien of this Indenture, an amount equal to .__% of the outstanding principal amount of each Mortgage-Backed Security so purchased]. If the Trustee receives an interest payment on a Mortgage-Backed Security representing interest accrued prior to the date such Mortgage-Backed Security was purchased by the Trustee with amounts on deposit in the Program Fund, the Trustee shall remit such amount to the Master Servicer.

The Trustee shall notify the Corporation upon each purchase of each Mortgage-Backed Security and shall notify the Rating Agency upon the first purchase of a Mortgage-Backed Security.

The Trustee is hereby directed to invest the moneys in the Program Fund related to the 1997 Series A Bonds in the Program Fund Investment Agreement. The Trustee shall provide notice to the provider of the Program Fund Investment Agreement of amounts to be withdrawn to purchase Mortgage-Backed Securities as required under the Program Fund Investment Agreement.

The Trustee shall not disburse moneys from the Program Fund for the acquisition of a Mortgage-Backed Security unless (1) such Mortgage-Backed Security shall be acquired in accordance with this Section 5.02(A), (2) the principal component of the purchase price of such Mortgage-Backed Security (together with the principal component at the time of purchase of all Mortgage-Backed Securities concurrently or previously purchased by the Trustee) to be paid from the Program Fund is less than or equal to ___% (the purchase price specified pursuant to Section 5.02(E) with respect to Mortgage-Backed Securities backed by Home Mortgages) of the outstanding principal amount of the Home Mortgages backing such Mortgage-Backed Security (together with the principal amount at the time of Mortgage-Backed Security purchase of Home Mortgages backing all Mortgage-Backed Securities concurrently or previously purchased by the Trustee), (3) such Mortgage-Backed Security will bear interest at the applicable Pass-Through Rate, (4) upon such purchase, the sum of (a) amounts held in the Program Fund, the Bond Escrow Fund and the Redemption Fund (representing amounts transferred to the Redemption Fund pursuant to Section 5.02(B)) and (b) the aggregate outstanding principal amount at time of acquisition by the Trustee of all Mortgage-Backed Securities purchased by the Trustee with amounts in the Program Fund is equal to or greater than the aggregate principal amount of all Bonds then Outstanding (provided that such condition need not be met if the Rating Agency has confirmed in writing that such disbursement alone shall not result in a reduction, suspension or withdrawal of the rating on the Bonds), and (5) the Mortgage-Backed Security will be held by the Trustee as described in Section 5.03(B).

(B) On any date specified by the Corporation on or after _____ 1, _____, the Trustee shall transfer amounts on deposit in the Program Fund that the Corporation certifies will not be used to acquire Mortgage-Backed Securities to the Redemption Fund to be applied to the redemption of Bonds on such date. On _____ 1, _____, the Trustee shall transfer to the Redemption Fund all amounts remaining in the Program Fund to be applied to the redemption of Bonds on such date. Such transfer may be made on a date or dates after _____ 1, _____, as to all or part of amounts remaining in the Program Fund if the Corporation shall have filed with the Trustee on or prior to the Business Day which is thirty (30) days prior to the scheduled date of transfer: (1) a Request of the Corporation specifying the amount to be retained in the Program Fund and the proposed later date of transfer, (2) a Cash Flow Analysis, (3) an opinion of Bond Counsel to the effect that the failure to transfer such amounts to the Redemption Fund on such date will not adversely affect the exclusion of interest on the 1997 Series A Bonds or the 1997 Series B Bonds from gross income for federal income tax purposes, and (4) a confirmation of the Rating Agency that the then current rating on the Bonds will not be reduced, suspended or withdrawn as a result of the failure to transfer such amounts to the Redemption Fund on such date.

(C) The Trustee shall establish and maintain a separate fund designated as the "Cost of Issuance Fund". Moneys deposited in such Fund shall be used to pay Costs of Issuance for the Bonds upon receipt by the Trustee of written instructions of the Corporation stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said Fund.

(D) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Home Mortgage Recycling Fund." The Trustee shall transfer money from the Prepayment Account to the Home Mortgage Recycling Fund if the Corporation shall file with the Trustee: (1) a Request of the Corporation specifying the amount of such transfer, the interest rate or rates to be borne by the Home Mortgages to be financed with such moneys, the term of such Home Mortgages, the Pass-Through Rate on the Mortgage-Backed Securities to be acquired with such moneys, the price to be paid to the Master Servicer to acquire such Mortgage-Backed Securities (including the source of any amount for such purchase other than amounts on deposit in the Home Mortgage Recycling Fund) and the date on which such moneys are to be returned to the related Prepayment Account for the redemption of Bonds if such moneys are not used to acquire Mortgage-Backed Securities, (2) a Cash Flow Analysis and (3) an opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion from gross income of interest on the 1997 Series A Bonds or the 1997 Series B Bonds for federal income tax purposes. Money in the Home Mortgage Recycling Fund shall be withdrawn solely for (1) the acquisition of Mortgage-Backed Securities from the Master Servicer; (2) return to the related Prepayment Account for the redemption of Bonds; and (3) transfer to the Rebate Fund pursuant to Section 5.06.

(E) The Trustee may purchase Mortgage-Backed Securities backed by Alternate Rate Home Mortgages upon delivery by the Corporation to the Trustee of:

(1) a Request of the Corporation specifying the purchase price and Pass-Through Rate for such Mortgage-Backed Securities and specifying the maximum principal amount of such Mortgage-Backed Securities to be purchased;

(2) a Cash Flow Analysis;

(3) an opinion of Bond Counsel to the effect that such purchase will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(4) written confirmation from the Rating Agency that such purchase will not result in the reduction, suspension or withdrawal of the rating on the Bonds.

Section 5.03. Establishment and Application of Revenue Fund and Capitalized Interest Account.

(A) The Trustee shall, maintain and hold in trust a separate fund designated as the "Revenue Fund" for the Bonds with a separate account therein designated as the "Capitalized Interest Account". All Revenues shall be deposited to such Revenue Fund, except that Prepayments received with respect to a Series shall be deposited in the Prepayment Account of the Redemption Fund relating to such Series, and, upon receipt by the Trustee of an interest payment on a Mortgage-Backed Security representing interest accrued prior to the date such Mortgage-Backed Security was purchased by the Trustee with amounts on deposit in the Program Fund, the Trustee shall remit such amount to the Master Servicer from which it purchased the Mortgage-Backed Security. All Revenues shall be held by the Trustee in trust for the benefit of the Owners at any time of the Bonds; and the Corporation shall have no beneficial right or interest in any of such moneys, except as otherwise expressly provided in this Indenture.

(B) (1) The GNMA Certificates acquired by the Trustee on behalf of the Corporation shall be held at all times by the Trustee in trust for the benefit of the Owners and shall be registered in the name of the Trustee or its nominee or held in book-entry form as described in this subsection. GNMA Certificates may be acquired in the form of Participants Trust Co. ("PTC") book-entry interests, provided that:

- (a) if GNMA Certificates are acquired in book-entry form, the Trustee shall receive confirmation from a PTC participant acting as agent or custodian for the Trustee that PTC has made appropriate entries in its records of the issuance of such book-entry GNMA Certificates to the account of a PTC participant acting as agent or custodian for the Trustee;
- (b) before accepting GNMA Certificates in physical form or in book-entry form, the Trustee shall, upon payment for the GNMA Certificates, acquire an ownership interest, as Trustee, of the GNMA Certificates free and clear of any PTC clearing liens;
- (c) The Trustee shall deliver to the PTC an irrevocable instruction to the effect that all fees arising in connection with the transfer are to be charged to another account maintained by the PTC; and
- (d) The PTC delivers to the Trustee a certificate to the effect that based on the instruction regarding payment of its fees, the PTC will not charge the Trustee for so long as the instruction remains in effect. The certificate may make exceptions (as provided in the amended PTC rules) to charge the Trustee for the recovery of securities or cash credited to the Trustee by mistake and to secure and repay any advance of principal and interest made by the PTC.

In lieu of compliance with the requirements of paragraphs (c) and (d) above the Corporation may provide other evidence acceptable to the Rating Agency that PTC will not exercise rights of set off against the Revenues for its fees and charges.

If the Trustee does not receive a payment or advice of payment on a GNMA Certificate when due (if the GNMA Certificates are held by the Trustee, on the fifteenth day of each month with respect to GNMA I Securities and on the twentieth day of the month with respect to GNMA II Securities, and if the GNMA Certificates are held by PTC, on the seventeenth day of each month with respect to GNMA I Securities and on the twenty-second day of each month with respect to GNMA II Securities), the Trustee shall promptly notify, and demand payment from GNMA, with respect to GNMA I Securities, and from the central paying agent for GNMA, with respect to GNMA II Securities. To the extent the GNMA Certificates are subject to book-entry transfer, the Trustee shall so notify PTC.

(2) The FHLMC Certificates acquired by the Trustee on behalf of the Corporation shall be held at all times by the Trustee or its nominee in trust for the benefit of the Owners and shall be held in book-entry form as described in this subsection. A FHLMC Certificate will be issued in book-entry form through a book-entry system of the Federal Reserve System and transferred to the Trustee. If the Trustee does not receive payment or advice from the depository of payment with respect to a FHLMC Certificate when due by the close of business on the fifteenth day of any month (or the next business day if the fifteenth day is not a business day), the Trustee shall demand by telephone payment from FHLMC in immediately available funds in connection with the guaranty of timely payments of principal and interest by FHLMC in accordance with the terms of the FHLMC Certificates.

(3) The FNMA Certificates acquired by the Trustee on behalf of the Corporation shall be held at all times by the Trustee or its nominee in trust for the benefit of the Owners and shall be held in book-entry form as described in this subsection. A FNMA Certificate will be issued in book-entry form through a book-entry system of the Federal Reserve System and transferred to the Trustee. If the Trustee does not receive payment or advice from the depository of payment with respect to a FNMA Certificate when due by the close of business on the twenty-fifth day of any month (or the next business day if the twenty-fifth day is not a business day), the Trustee shall demand by telephone payment from FNMA in immediately available funds in connection with the guaranty of timely payments of principal and interest by FNMA in accordance with the terms of the FNMA Certificates.

(C) Neither the Corporation nor the Trustee shall sell or otherwise dispose of the Mortgage-Backed Securities after their acquisition for an amount less than an amount sufficient, together with other amounts then held under this Indenture and available for the payment of principal of and interest on the Bonds, to provide for the payment of all Outstanding Bonds in accordance with Article X and the payment of all fees and expenses of the Trustee pursuant to Section 8.02. Subject to Section 7.02, neither the Corporation nor the Trustee shall sell or otherwise dispose of the Mortgage-Backed Securities after their acquisition to provide funds to redeem any or all of the Bonds without the written consent of the Holders of 100% of the Outstanding Bonds; provided that the Corporation may sell or otherwise dispose of the Mortgage-Backed Securities to provide funds sufficient to defease all

of the Outstanding Bonds pursuant to Article X. The Trustee shall notify the Rating Agency upon the sale of any Mortgage-Backed Security.

(D) Prior to the date no moneys remain on deposit in the Program Fund, moneys in the Capitalized Interest Account shall be withdrawn solely for transfer to the Rebate Fund, Interest Fund, Principal Fund or Program Expense Fund in the event other moneys on deposit in the Revenue Fund are insufficient to make required deposits into such funds pursuant to Section 5.04. On the date no moneys remain on deposit in the Program Fund, the Trustee shall, from moneys remaining on deposit in the Capitalized Interest Account, transfer to the Corporation free and clear of the lien of this Indenture such amount as shall be specified in a Request of the Corporation accompanied by a Cash Flow Analysis, and shall transfer all other moneys remaining on deposit in the Capitalized Interest Account to the Revenue Fund; provided that the Trustee shall release to the Corporation additional amounts from time to time from amounts on deposit in the Capitalized Interest Account if the Corporation shall have filed with the Trustee: (1) a Request of the Corporation specifying the amount of funds to be released; (2) a Cash Flow Analysis; and (3) confirmation of the Rating Agency that the then-current rating on the Bonds will not be reduced as a result of the release of such amounts to the Corporation.

Section 5.04. Establishment of Other Funds; Allocation of Revenues. The Trustee shall establish, maintain and hold in trust the following separate Funds: (1) the Interest Fund, (2) the Principal Fund, (3) the Program Expense Fund, (4) the Redemption Fund. On the last Business Day of each month the Trustee shall transfer from the Revenue Fund to the other Funds, as follows, by depositing:

First: Into the Rebate Fund the amount required by Section 5.06;

Second: Into the Interest Fund an amount equal to one-sixth (1/6) of the amount of interest becoming due and payable with respect to the Bonds on the next Interest Payment Date; provided that no such transfer need be made if the amount on deposit in the Interest Fund is at least equal to the aggregate amount of interest becoming due and payable on such Interest Payment Date upon all Bonds then Outstanding;

Third: Into the Principal Fund an amount equal to one-sixth (1/6) of the amount of principal becoming due and payable with respect to the Bonds and of mandatory sinking fund payments required to be made on the Bonds on the next Interest Payment Date; provided that no such transfer need be made if the amount on deposit in the Principal Fund is at least equal to the aggregate amount of principal becoming due and payable on the Bonds and of mandatory sinking fund payments required to be made on the Bonds on such Interest Payment Date;

Fourth: Into the Program Expense Fund the amounts necessary to pay Program Expenses of the Bonds then due and payable as specified in a Request of the Corporation; and

Fifth: Into the Redemption Fund, the balance, if any, remaining in the Revenue Fund after making the foregoing deposits for redemption of the Bonds in accordance with Section 4.02(A)(3); provided that such transfer shall not cause the amount remaining on deposit in the Revenue Fund to be less than \$10,000.

The funding requirements of each Fund (including the making up of any deficiencies in any such Fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit shall be satisfied before any transfer is made to any Fund subsequent in priority and the Trustee shall not make transfers to the Redemption Fund if the Trustee determines that such amounts will be needed to make deposits to the Rebate Fund, the Interest Fund, the Principal Fund or the Program Expense Fund prior to the next succeeding Interest Payment Date.

Section 5.05. Application of Program Expense Fund. Amounts in the Program Expense Fund shall be used and withdrawn by the Trustee, upon written requisition of the Corporation, for the purpose of paying the Program Expenses when due.

Section 5.06. Establishment and Application of Rebate Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Rebate Fund". The Trustee shall make transfers to and withdrawals from the Rebate Fund pursuant to written instructions delivered by the Corporation in accordance with the Tax Certificate. Transfers shall be made from such Funds as the Corporation shall designate in its written instructions. Investment earnings on moneys in the Rebate Fund shall be deposited into such Fund. Losses on the investment of moneys in the Rebate Fund shall be debited to such Fund. Moneys in the Rebate Fund shall be paid to the United States of America (and to the extent permitted by the Code, used to pay rebate calculation expenses) as directed by the Corporation, pursuant to the Tax Certificate, in compliance with the timetable set forth in Section 148(f)(3) of the Code and the Tax Certificate. The Corporation shall pay, out of the monthly fee to be paid to the Corporation or other assets of the Corporation, any costs of calculation of amounts to be paid to the United States of America. The Trustee shall be deemed conclusively to have complied with this section if it follows the written instructions of the Corporation, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Corporation with the covenants of this Section 5.06 or the Tax Certificate.

Section 5.07. Application of Interest Fund. Subject to Section 5.09, all amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Section 5.08. Application of Principal Fund. Subject to Section 5.09, all amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying principal of the Bonds and the mandatory sinking fund payments as the same shall become due and payable.

Section 5.09. Deficiencies in the Interest Fund or Principal Fund.

(A) In the event that the amount in the Interest Fund is insufficient to pay interest on the Bonds when due, the Trustee shall transfer to the Interest Fund the amount of such deficiency by withdrawing said amount from the following Funds, at the direction of the Corporation, in the following order of priority: (1) the Revenue Fund, (2) the Capitalized Interest Account, and (3) any other fund or account established pursuant to this Indenture other than (a) the Rebate Fund, and (b) the Redemption Fund to the extent that moneys therein have been set aside for the redemption of Bonds with respect to which notice of redemption has previously been given.

(B) In the event that the amount in the Principal Fund is insufficient to pay the principal of the Bonds or the mandatory sinking fund payments thereon when due, the Trustee shall transfer to the Principal Fund the amount of such deficiency by withdrawing said amount from the following Funds, at the direction of the Corporation, in the following order of priority: (1) the Revenue Fund, (2) the Capitalized Interest Account and (3) any other fund or account established pursuant to this Indenture except (a) the Interest Fund, (b) the Rebate Fund, and (d) the Redemption Fund to the extent that moneys therein have been set aside for the redemption of Bonds with respect to which notice of redemption has previously been given.

Section 5.10. Investment of Moneys in Funds. All moneys in any of the Funds established pursuant to this Indenture shall be invested by the Trustee, upon the written direction of the Corporation, in Investment Securities to maximize investment income, with proper regard for the preservation of principal. Absent written direction of the Corporation, the Trustee shall invest moneys in any of the Funds established pursuant to this Indenture in those investments described in clause (7) of the definition of Investment Securities.

Moneys in all Funds established under this Indenture shall be invested in Investment Securities paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee for the Bonds.

Moneys held in the Program Fund shall be initially invested in the Program Fund Investment Agreement, moneys held in the Revenue Fund, Interest Fund, Principal Fund, Program Expense Fund and Redemption Fund shall be initially invested in the Float Fund Investment Agreement and moneys held in the Bond Escrow Fund shall be initially invested in the Bond Escrow Fund Investment Agreement. In the event an Investment Agreement is terminated prior to its stated termination date, the Trustee shall notify the Rating Agency and the Corporation shall use its best efforts to obtain a replacement investment agreement satisfying the requirements of paragraph (5) or (6) of the definition of Investment Securities in Section 1.01, as applicable, with terms and conditions substantially the same as the terms and conditions of the terminated Investment Agreement.

Investment Securities acquired as an investment of moneys in any Fund established under this Indenture shall be credited to such Fund. For the purpose of

determining the amount in any such Fund, all Investment Securities credited to such Fund shall be valued at the lesser of cost (exclusive of accrued interest after the first payment of interest following purchase) or par value (plus, prior to the first payment of interest following purchase, the amount of any accrued interest paid as part of the purchase price); provided, however, that any repurchase agreements or investment agreements shall be valued, respectively, at the unpaid repurchase price or principal balance collectible pursuant thereto.

All interest, profits and other income earned from investment of all moneys in any Fund (other than the Rebate Fund which shall be retained in such Fund) established under this Indenture shall be deposited when received in the Revenue Fund.

Subject to Section 6.08, moneys in the Funds may be commingled or segregated for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds those amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in this Indenture. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment or the sale thereof. The Trustee agrees to provide notice to the providers of the Investment Agreements at the time and in the manner required thereby in order to make timely payment of amounts due with respect to the Bonds. The Trustee may act as principal or agent in the acquisition or disposition of any investments.

Section 5.11 Bond Escrow Fund. The Trustee shall establish and maintain and hold in trust a separate fund designated as the "Bond Escrow Fund." Moneys in the Bond Escrow Fund shall be withdrawn solely for (1) the redemption of 1997 Series B Bonds on a Mandatory Tender Date or (2) transfer, upon Conversion of the 1997 Series B Bonds, to such other accounts under the Indenture as shall be specified in a Request of the Corporation.

Section 5.12 Bond Purchase Fund. (a) All moneys deposited in or transferred to the Bond Purchase Fund shall be applied to the purposes, and administered and distributed by the Tender Agent, solely as provided in this Section 5.12 and in Section 3.01. The Tender Agent shall deposit in the Bond Purchase Fund all proceeds of the remarketing of 1997 Series B Bonds remitted to the Tender Agent by the Remarketing Agent in accordance with the provisions of this Indenture. The Tender Agent shall apply amounts on deposit in the Bond Purchase Fund exclusively to pay the purchase price of 1997 Series B Bonds purchased in accordance with the provisions of this Indenture to the former Owners of such Bonds upon presentation thereof to the Tender Agent.

(b) Moneys deposited in the Bond Purchase Fund shall be held by the Tender Agent uninvested.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Corporation shall punctually pay, or cause to be paid, the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to their maturity, the amount to be paid shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date, in strict conformity with the terms of such Bonds and of this Indenture, according to the true intent and meaning thereof but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02 Extension of Payment of Bonds. The Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Corporation to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. No Other Encumbrances. The Corporation shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues or other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Corporation is duly authorized pursuant to the Organic Act and laws of the Territory, including the Act, to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be legal, valid and binding limited obligations of the Corporation in accordance with their terms, and the Corporation and Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Revenues and other assets and all the rights of the Owners under this Indenture against all claims and demands of all Persons whatsoever.

Section 6.05. Payment of Taxes and Claims. The Corporation or the Trustee (upon the written direction of the Corporation) shall, from time to time but solely from funds available therefor under this Indenture, if any, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Revenues or other assets pledged or assigned under this Indenture to the Bonds when the same shall become due, as well as any lawful claim which, if unpaid,

might by law become a lien or charge upon such Revenues or other assets or which might impair the security of such Bond.

Section 6.06. Accounting Records and Financial Statements. The Corporation shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Revenues, the Mortgage-Backed Securities and Home Mortgages with respect to the Bonds and all Funds established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Trustee, the Corporation or the Rating Agency and by the Owners of at least 10% of the aggregate principal amount of all Bonds then Outstanding, or by the agents or representatives thereof duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Corporation and the Trustee shall also provide to the applicable Rating Agency such information as the Rating Agency shall reasonably request, including, but not limited to, the periodic reports customarily required to be submitted in order to maintain the investment rating on the Bonds. The Trustee shall also provide such information to those persons as the Corporation shall request.

Section 6.07. Maintenance of Powers. So long as any Bonds remain Outstanding, the Corporation shall preserve its existence as a public entity and agency, and will not be dissolved or lose its right to exist as such or lose any rights necessary to enable it to function and to maintain the Revenues. The Corporation shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained.

Section 6.08. Tax Covenants.

(A) The Corporation shall not use or permit the use of any proceeds of Bonds or any other funds of the Corporation, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Corporation or Trustee with respect to the Home Mortgages in any manner, and shall not take or permit to be taken any other actions or actions, which would cause any 1997 Series A Bond or 1997 Series B Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code or an obligation that is "federally guaranteed" within the meaning of Section 149(b) of the Code. The Corporation specifically covenants to comply with the rebate requirement of section 148(f) of the Code and to that end will comply with the Tax Certificate.

(B) The Corporation shall not use or permit the use of any proceeds of Bonds or any other funds of the Corporation, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in more than 10% of the proceeds of the 1997 Series A Bonds or the 1997 Series B Bonds being used in the trade or business of one or more nongovernmental persons.

(C) The Corporation shall in good faith attempt to meet all the requirements of Section 143(c) (principal residence requirements), 143(d) (3-year requirement), 143(e) (purchase price requirement), 143(f) (income requirement) and 143(i) (new mortgage requirement) of the Code before the Home Mortgages are originated. The Corporation shall establish reasonable procedures to insure compliance with such requirements. Such procedures shall include reasonable investigations by the Corporation, the Compliance Agent or the Lenders to determine that the Home Mortgages satisfy such requirements. The Corporation shall require that a Home Mortgage may be assumed only if the Corporation or the Compliance Agent has determined that the conditions of Treasury Regulations Section 6a.103A-2(j)(3) are satisfied. Any failure of a Home Mortgage, the residence financed thereby or the Mortgagors with respect thereto to meet such requirements shall be corrected within a reasonable period after such failure is discovered.

(D) The Corporation shall file or cause to be filed on its behalf in a timely fashion all statements and reports required to be filed pursuant to Section 149(e) of the Code and the Treasury Regulations. The Corporation shall also give to Mortgagors the notice required by Section 143(m)(7) of the Code (relating to recapture in the event of disposition of the Home).

(E) The Corporation shall comply with all restrictions on the yield on nonmortgage investments set forth in the Tax Certificate.

Section 6.09. Compliance with Indenture, Contracts, Laws and Regulations.
The Corporation shall faithfully observe and perform all the covenants, conditions and requirements of this Indenture as required of the Corporation, and the Corporation shall not issue any Bonds in any manner other than in accordance with this Indenture, and shall not suffer or permit any default to occur hereunder or do or permit to be done anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the Corporation shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of the Bonds or the Mortgage-Backed Securities, Home Mortgages or Revenues. The Corporation shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted, prescribed, imposed or entered by any competent governmental authority or agency applicable to or affecting the Program or the Home Mortgages. The Trustee shall, as provided herein, observe and perform all of the express provisions of this Indenture.

Section 6.10. Program Covenants.

(A) By Certificate of the Corporation, the Corporation shall cause the Trustee to, from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the Program, this Indenture, all other applicable laws and regulations and with sound banking practices and principles, use and apply the amounts held in the Program Fund to purchase Mortgage-Backed Securities, and do

all such acts and things necessary to produce Revenues sufficient to pay when due the principal of and interest on the Bonds, and shall take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to cause the Trustee to enforce the terms, covenants and conditions of the Mortgage-Backed Securities, each Agreement and the Investment Agreements.

The Corporation shall supervise, or cause to be supervised, each Lender's compliance with its Agreement and the Compliance Agent's compliance with the Compliance Agreement. In the event the Compliance Agreement or any Agreement shall be cancelled or terminated as to the Compliance Agent or the Lender for any reason, the Trustee and the Corporation shall take all steps necessary to replace such Compliance Agent or Lender with successor parties, in accordance with the provisions of the Agreement, the Compliance Agreement, the requirements of FHLMC, but subject to the approval of the Corporation.

(B) Subject to Section 6.08, amounts in the Program Fund shall be used to purchase only Mortgage-Backed Securities which are backed by Home Mortgages which are in compliance with the Act and the Program, and which, in the aggregate have scheduled payments of principal and interest at least sufficient, together with other expected Revenues, to pay when due the principal of and interest on the Bonds and Program Expenses

(C) The Corporation shall enforce the provisions of the Agreement which require that no Home Mortgage shall be sold, assigned or otherwise disposed of by the Lender, except (1) pursuant to a covenant to repurchase contained in the appropriate Agreement, (2) to correct any failure of the Home Mortgage, the related residence or the related Mortgagor to meet the requirements of Section 143 of the Code, (3) in connection with any action or proceedings taken in the event of default on any Home Mortgage or as may be necessary for the purpose of realizing the benefits of mortgage or title insurance with respect to such Home Mortgage, or (4) for assignment to FHLMC upon issuance by FHLMC of the related FHLMC Certificate. No Mortgage-Backed Security shall be sold, assigned or otherwise disposed of except as described in Section 5.03(D). Subject to the provisions of this subsection and the approval of FHLMC, any Home Mortgage may be sold, assigned or otherwise disposed of, and the Corporation and the Trustee, through the Compliance Agent, shall direct the Lender to take all necessary action and execute and deliver all necessary instruments to confirm any such sale, assignment or disposition and to vest title to the Home Mortgage in the purchaser, assignee or other recipient thereof.

(D) The Corporation shall not, without the written consent of the Trustee, alter, modify or cancel, or agree to consent to alter, modify or cancel any agreement which relates to or affects the security for the Bonds. The Trustee shall not consent to any change in the maturity of any Mortgage-Backed Security.

(E) The Corporation and the Trustee shall not consent to the modification of, or modify, the rate or rates of interest, or the amount or time of payment of any installment of interest or principal, or the security for or any of the terms or provisions of any Home Mortgage or any insurance on or with respect thereto in any manner which would

result in the failure of such Home Mortgage to satisfy the conditions set forth in subsection (B) of this Section or which would materially impair the security of the Bonds.

(F) The Corporation shall not amend, modify or supplement the Agreement or consent to any such amendment, modification or supplementation, without the written consent of the Trustee. The Trustee shall give such written consent only if the Trustee first obtains the written consent of the Owners of a majority in principal amount of the Bonds to such amendment, modification or termination, or if, based on the opinion of counsel, either (1) such changes will not materially adversely affect the interests of the Owners or result in any material impairment of the security hereby given for the payment of the Bonds, or (2) such amendment is necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the 1997 Series A Bonds or the 1997 Series B Bonds. The Trustee shall notify the Rating Agency of any amendments, modifications or supplements to the Agreement for which the written consent of Owners was required.

Section 6.11. Waiver of Laws. The Corporation shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension provision of law now or at any time hereafter in force that may adversely affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Corporation to the extent permitted by law.

Section 6.12. Further Assurances. The Corporation will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

Section 6.13. Continuing Disclosure. The Corporation hereby covenants and agrees to comply with and carry out all of the provisions of the Continuing Disclosure Agreement. The Trustee shall enter into the Continuing Disclosure Agreement as directed by the Corporation. Notwithstanding any other provision of the Indenture, failure of the Corporation to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default or a breach of fiduciary duty or default by the Trustee; however, the Trustee may but shall not be obligated to (and, at the request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder or Beneficial Owner (as defined in the Continuing Disclosure Agreement) may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under the Continuing Disclosure Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 7.01. Events of Default. The following events shall be considered Events of Default with respect to the Bonds:

(A) default in the due and punctual payment of the principal amount or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption, by declaration or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; or

(C) default by the Corporation in observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Bonds (other than in clauses (A) or (B) above), if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Corporation by the Trustee, or to the Corporation and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding.

Notwithstanding the foregoing, failure by the Corporation or the Trustee to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default hereunder or a breach of fiduciary duty or default by the Trustee.

Section 7.02. Acceleration of Maturity. If an Event of Default under Section 7.01(A) or (B) shall occur with respect to the Bonds, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon an Event of Default under Section 7.01(A) or (B) the written direction of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding or upon an Event of Default under Section 7.01(C) the written direction of the Owners of not less than 100% in aggregate principal amount of the Bonds shall, upon notice in writing to the Corporation, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Corporation shall deposit, or cause to be deposited, with the Trustee a sum sufficient to pay the principal amount or redemption price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of

the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal amount or redemption price of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Corporation and to the Trustee, may, on behalf of the Owners of all the Bonds rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default described in Section 7.01(A) or (B) with respect to the Bonds shall occur and be continuing, all Revenues and any other amounts then held or thereafter received by the Trustee under any of the provisions of this Indenture (exclusive of any Rebate Amount and subject to Section 11.10) shall be applied by the Trustee, at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as follows and in the following order of priority:

(A) Notwithstanding any other provision of the Indenture limiting the Trustee's fees, to the payment of any expenses necessary in the sole subjective opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel and of the Corporation), incurred in and about the performance of its powers and duties under this Indenture;

(B) To the payment of the principal amount or redemption price of and interest then due on the Bonds (upon presentation and surrender of the Bonds to be paid) subject to the provisions of this Indenture (including Section 7.02), unless the principal amount and redemption price of all the Bonds shall have become or have been declared due and payable, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal amount or redemption price of the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the principal amount or redemption price due on such date to the Persons entitled thereto, without any discrimination or preference.

(C) If the principal amount or redemption price of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest to the Persons entitled thereto without any discrimination or preference.

The payment of amounts required to be made to the United States in accordance with Sections 5.06 and 6.08 shall continue even if an Event of Default shall have occurred and be continuing.

Section 7.04. Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the applicable Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of any Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate suit, action, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right to the appointment of a receiver of the Revenues and other assets pledged to receive the Bonds under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of such Bonds or the production thereof in any proceedings relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of Bonds subject to the provisions of this Indenture.

Section 7.05. Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder with respect to the Bonds, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction

which in the opinion of counsel rendered to the Trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

Section 7.06. Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bond, unless (A) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (B) the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (C) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of Corporation. Nothing in this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Corporation, which is absolute and unconditional, to pay the principal amount or redemption price of and interest on the Bonds to the respective Owners of the Bonds at their dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged to the Bonds, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment from such sources by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners of Bonds on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Owners, then in every such case the Corporation, the Trustee and such Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Corporation, the Trustee and such Owners shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default with respect to such Bonds shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Duties, Immunities and Liabilities of Trustee.

(A) The Trustee shall, prior to an Event of Default with respect to the Bonds, and after the curing of any such Event of Default which may have occurred, perform such duties and only such duties as are specifically and expressly set forth in this Indenture, and no implied covenants, duties or obligations whatsoever shall be read into this Indenture or any other agreement relating hereto against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Corporation agrees, to the extent permitted by law and solely to the extent of amounts available to be paid to the Corporation as Program Expenses, to indemnify and save the Trustee and its officers, directors, employees, attorneys and agents for, and to hold it harmless from and against, any losses, liabilities or expenses incurred arising out of or in connection with (i) the acceptance or administration of the trusts imposed by the Indenture, including performance of its duties hereunder, including the costs and expenses of defending itself against any claims or liability in connection with the exercise or performance of any of its powers or duties hereunder and the carrying out of any of the transactions contemplated by the Program; (ii) any breach or default on the part of the Corporation in the performance of any of its obligations under this Indenture and any other agreement made and entered into for purposes of the Program; (iii) any act of negligence of the Corporation or any of its agents, contractors, servants, employees or licensees with respect to the Program; (iv) the exercise and performance by the Trustee or the Remarketing Agent of their powers and duties hereunder or any related documents; (v) any untrue statement of any material fact or omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document or any other document utilized by the Corporation or under its authority

in connection with the sale of the Bonds or the funding of the Program; or (vi) any liability imposed against Trustee by any statute, code, order, decree, rule, decision or other law with respect to the natural environment arising out of the Program. The Corporation's obligations hereunder with respect to indemnity of the Trustee and the provision for its compensation set forth in this Article shall survive and remain valid and binding notwithstanding the maturity and payment of the Bonds or the resignation, or removal of the Trustee.

(B) The Corporation may remove the Trustee at any time upon thirty (30) days' written notice unless an Event of Default shall have occurred and then be continuing. The Corporation shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation: in each case by giving written notice of such removal to the Trustee and the Corporation shall appoint a successor Trustee by an instrument in writing provided, however, that any such successor trustee shall be acceptable to the Rating Agency.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Corporation sent by first-class mail, but such resignation shall not be effective until the successor Trustee shall have been appointed and has accepted such appointment as herein provided. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing provided, however, that any such successor trustee shall be acceptable to the Rating Agency.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Promptly upon such acceptance, the Corporation shall give written notice thereof to the Owners and the Rating Agency. If no successor Trustee shall have been appointed and have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Corporation and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the Corporation or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such

predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, national banking association or bank having the powers of a trust company and having either trust assets of at least \$500,000,000 or a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the successor Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), such Trustee shall resign immediately in the manner and with the effect specified in this Section.

(F) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all its corporate trust business, provided such company shall be eligible under subsection (E) of this Section, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

(G) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers unless the Owners have offered to the Trustee security and indemnity, which the Trustee in its sole subjective discretion deems adequate, for such costs, expenses and liabilities that the Trustee may incur. The Trustee shall be entitled to interest on all amounts advanced by it hereunder in its discretion at the rate of prime plus one percent.

(H) The Trustee shall not be required to take notice or be deemed to have taken notice hereunder of any event which would constitute an Event of Default or an Event of Default hereunder or under the Agreement, except as required under Sections 7.01 (A) and (B) or by actual notice of such event or Event of Default unless the Trustee shall be specifically notified in writing by the Corporation or by the Owners of not less than 25% of the principal amount of the Bonds.

Section 8.02. Compensation. The Corporation shall cause the Trustee to be paid reasonable compensation for all services rendered under this Indenture together with all

reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of its attorneys, agents and employees, incurred in good faith in and about the performance of its powers and duties under this Indenture, which fees and expenses shall not exceed, except as provided in Section 7.03(A), the amount provided for as Program Expenses.

Section 8.03. Liability of Trustee. In accepting the trust hereby created, the Trustee acts solely as trustee for the Owners and not in its individual capacity and the recitals of facts herein and in the Bonds contained shall be taken as statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, any other agreement relating hereto or the Bonds or in respect of the security afforded by this Indenture for the Bonds, and shall incur no responsibility or liability whatsoever in respect thereof or with respect to the issuance of Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Corporation, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee may become the owner of Bonds and be a Lender with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or Holders, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

Section 8.04. Right of Trustee to Rely on Documents. The Trustee shall be absolutely protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with its counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Corporation, and such Certificate shall be full warranty to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as the

Trustee deems reasonable, but no duty of the Trustee shall arise hereunder as a result of such inquiry.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture with respect to the Bonds shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Corporation, the Rating Agency and the Owners of at least 10% of the aggregate principal amount of the Bonds then Outstanding or by agents or representatives thereof duly authorized, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

The Trustee shall not be under any obligation or duty to perform any act which would in its sole subjective opinion involve it in any expense or liability or to institute or defend any suit in respect of the Bonds, or to advance any of its own moneys, unless indemnified to its sole subjective satisfaction against the costs, expenses and liabilities which may be incurred thereby. The Trustee shall not be personally liable with respect to (i) an error of judgment made in good faith by a responsible officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, or (ii) any action taken, suffered or omitted to be taken by it in good faith, in accordance with the directions of Owners of not less than 25% in principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture. The immunities, exemptions and indemnifications from liability of the Trustee under this Indenture shall extend to its directors, officers, employees and agents. Whenever this Indenture provides that the Trustee shall take any action, including the giving of any notice, or refrain from taking any action upon the happening or continuation of a specified event or upon the fulfillment of any condition or upon the request of the Owners, the Trustee shall have no liability for failure to take such action or for failure to refrain from taking such action, unless and until the responsible officer of the Trustee at the Trustee's principal corporate trust office has actual knowledge of such event or continuation thereof or the fulfillment of such condition or shall have received such request. Responsible officer means, in the case of the Trustee, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, the Secretary, the Treasurer, any Trust Officer, any Executive or Senior Vice President or any Vice President or other officer in the Corporate Trust Department of the Trustee.

Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to this Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

Section 8.06. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in this Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(A) This Indenture and the rights and obligations of the Corporation and of the Owners of the Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (I) extend the stated maturity of any Bond, or reduce the amount or principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereof without the consent of the Owner of such Bond, or (II) without the consent of the Owners of all the Bonds then Outstanding (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (2) permit the creation of any lien on the Revenues and other assets pledged under this Indenture to the Bonds prior to the lien created by this Indenture, or deprive the Owners of the Bonds of the lien created by this Indenture upon such Revenues and other assets (except as expressly provided in this Indenture), or (3) authorize the sale or other disposition of the Mortgage-Backed Securities after their acquisition for an amount less than an amount sufficient, together with other amounts then held under this Indenture and available for the payment of principal of and interest on the Bonds, to provide for the payment of all Outstanding Bonds pursuant to Article X. It shall not be necessary for the consent of the Owners of the Bonds to approve the particular form of any Supplemental Indenture; it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Corporation and the Trustee of any Supplemental Indenture pursuant to this Subsection (A), the Trustee shall mail a notice to each Owner setting forth in general terms the substance of such Supplemental Indenture. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of such Supplemental Indenture.

(B) This Indenture and the rights and obligations of the Corporation and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, which shall become effective upon execution (or such later date as may be specified in such Supplemental Indenture) by the Corporation and the Trustee, without the consent of any Owners of the Bonds, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Corporation in this Indenture other covenants and agreements thereafter to be observed, to pledge or

assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Corporation;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to any matter or question arising under or in any matters relating to this Indenture, as the Corporation may deem necessary or desirable, and which shall not materially adversely affect the interests of the Owners;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(4) to modify, amend or supplement this Indenture in such manner as in the opinion of nationally recognized bond counsel shall be necessary to preserve the exclusion of interest on any 1997 Series A Bond or 1997 Series B Bond from federal gross income and which shall not materially adversely affect the interests of the Owner of any Bond;

(5) to maintain a rating on the Bonds from a Rating Agency or obtain an investment rating on the Bonds from a national rating agency; or

(6) to provide for the Conversion or Remarketing of 1997 Series B Bonds pursuant to Article III and to provide for the terms of such Bonds following Conversion or Remarketing, subject to the conditions and in compliance with the procedures set forth in Article III.

(C) In connection with the execution and delivery of a Supplemental Indenture, the Trustee shall receive an opinion of Bond Counsel to the effect that the Supplemental Indenture is authorized under the Act and by proper action of the Corporation and that execution and delivery of the Supplemental Indenture will not adversely affect the exclusion of interest on any 1997 Series A Bond or 1997 Series B Bond from gross income for Federal income tax purposes.

(D) The Trustee shall notify the Rating Agency upon entering into any Supplemental Indenture.

Section 9.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Corporation, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this

Indenture for any and all purposes. All Supplemental Indentures shall be filed with the Rating Agency.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Corporation or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Corporation and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Corporation and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the designated corporate trust office of the Trustee, without cost to any Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts of the same maturity.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. If the Corporation shall pay and discharge the entire indebtedness on all Outstanding Bonds in any one or more of the following ways:

(A) by paying or causing to be paid the principal amount or redemption price of and interest on the Bonds Outstanding, as and when the same become due and payable;

(B) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, all of the Outstanding Bonds;

and if the Corporation shall also pay or cause to, be paid all other sums payable hereunder by the Corporation (including Trustee's fees) with respect to the Bonds, then and in that case, at the election of the Corporation (evidenced by a Certificate of the Corporation, filed with the Trustee, signifying the intention of the Corporation to discharge all such

indebtedness), and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Corporation under this Indenture with respect to the Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the Corporation, the Trustee shall (i) cause an accounting for such period or periods with respect to the Bonds as shall be requested by the Corporation to be prepared and filed with the Corporation, and (ii) execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction of the Bonds. The discharge of the obligations of the Corporation under this Indenture with respect to the Bonds shall be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Corporation for any expenditures which it may thereafter incur in connection with such discharge.

The Trustee shall notify the Rating Agency of the discharge of the Indenture pursuant to this Section 10.01.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Corporation in respect of such Bond shall cease, terminate and be completely discharged, and the Owner thereof shall thereafter be entitled only to payment from such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Corporation may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered which the Corporation may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the Funds established pursuant to this Indenture (exclusive of the Program Fund and the Rebate Fund to the extent of the Rebate Amount) and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) noncallable Investment Securities described in clause (1)(i) of the definition thereof in Section 1.01 and which are not redeemable in advance of their maturity at the option of the issuer thereof or any other Person (other than the holder thereof) the principal of and interest on which when due will provide money sufficient to pay the principal amount or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal amount or redemption price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided further that, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by request of the Corporation) to apply such money to the payment of such principal amount or redemption price and interest with respect to such Bonds; provided further that in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by request of the Issuer) to apply such money to the payment of such principal amount or redemption price and interest with respect to such Bonds; provided further that any such advance deposit shall be accompanied by a report of certified public accountant verifying the mathematical computations of the adequacy of the maturing principal and interest on the escrowed securities and uninvested cash in the escrow account to pay, when due, the principal and interest on the Bonds.

The Trustee shall notify the Rating Agency of the defeasance of any Bonds pursuant to this Section 10.03.

Section 10.04. Payment of Bonds After Discharge of Indenture.

Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal amount or redemption price of, or interest on, any Bonds and remaining unclaimed for two years after such payment has become due and payable shall, upon request of the Corporation and subject to the unclaimed property laws of the Territory, be repaid to the Corporation free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease, provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Trustee, may (at the cost of the Corporation) first publish at least once in a The Wall Street Journal, The New York Times, or The Bond Buyer, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Corporation Limited to Revenues.

Notwithstanding anything in this Indenture or in the Bonds to the contrary, the Corporation shall not be required to advance any moneys derived from any source other than the

Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal amount or redemption price of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Corporation may, but shall not be required to, advance for any of the purposes hereof any funds of the Corporation which may be made available to it for such purposes.

Section 11.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Corporation or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Corporation or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Corporation, the Trustee and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the Trustee and the Owners of the Bonds.

Section 11.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Corporation of any Bonds, the Trustee may, upon request of the Corporation, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Corporation, if the Corporation shall so require), and deliver a certificate of such destruction to the Corporation.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation hereby declares that it would have entered into this Indenture and each and every section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereon irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid, or sent by facsimile with automatic answer-back capability, addressed to the appropriate Notice Address. The Corporation, the Trustee and each Lender may, by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

In addition to any notice required to be given pursuant to this Indenture, the Trustee shall provide the Rating Agency with any information regarding the Program, the Mortgage-Backed Securities and the Bonds that the Rating Agency may reasonably request.

Section 11.08. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners of the Bonds may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners of the Bonds in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Corporation if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and of every Bond issued upon transfer thereof, in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Corporation in accordance therewith or reliance thereon.

Section 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Corporation, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if, the pledge shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal amount or redemption price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto without liability for interest, subject, however, to the provisions of Section 10.04.

Section 11.11. Funds. Any Fund required by this Indenture to be established and maintained by the Trustee with respect to the Bonds may be established and maintained in the accounting records of the Trustee as a Fund and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated as such a Fund; but all such records with respect to all such Funds shall at all times be maintained in accordance with generally accepted corporate trust practice, and with due regard for the requirements of Section 6.06 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No officer, agent or employee of the Corporation, the Trustee or the Tender Agent shall be individually or personally liable for the payment of the principal amount or redemption price of or interest on the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. Payments Other Than on a Business Day. Any payments required to be made or any other action required to be taken pursuant to this Indenture which are otherwise required to be taken on a day which is not a Business Day, shall be made or taken on the next succeeding day which is a Business Day.

IN WITNESS WHEREOF, the Guam Housing Corporation has caused this Indenture to be signed in its name by its Executive Director and the Trustee in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its duly authorized officer, as of the day and year first above written.

GUAM HOUSING CORPORATION

By: _____
Title: _____

[NAME OF TRUSTEE], as Trustee

By: _____
Authorized Signatory

EXHIBIT A

[FORM OF 1997 SERIES A BOND]

GUAM HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
(GUARANTEED MORTGAGE-BACKED SECURITIES PROGRAM)
1997 SERIES A

REGISTERED OWNER:

PRINCIPAL AMOUNT:

NUMBER: BOND DATE: MATURITY DATE: INTEREST RATE: CUSIP:
R-

Guam Housing Corporation (the "Corporation"), a duly constituted bondy corporate, organized and existing under the laws of the Territory of Guam (the "Territory"), including Chapter 4 of Title 12 of the Guam Code Annotated (the "Act"), for value received, promises to pay (but only out of the revenues and other assets pledged therefor) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption as set forth in the Indenture dated as of _____ 1, 1997 (the "Indenture") by and between the Corporation and [Name of Trustee], as trustee), the Principal Amount specified above and to pay interest thereon, solely from said revenues and assets, from the Interest Payment Date (as hereinafter defined) next preceding the date of registration of this Bond unless this Bond is registered on or before the first Interest Payment Date, in which event it shall bear interest from _____ 1, 1997, until payment of such Principal Amount shall be discharged as provided in the Indenture, at the Interest Rate set forth above, payable each _____ 1 and _____ 1, commencing _____ 1, 1997 (each an "Interest Payment Date").

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION AND ARE NOT A LIEN OR CHARGE UPON THE FUNDS OR PROPERTY OF THE CORPORATION, EXCEPT TO THE EXTENT OF THE PLEDGE AND ASSIGNMENT SET FORTH IN THE INDENTURE AND IN THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR A LOAN OF CREDIT OF THE GOVERNMENT OF GUAM OR THE UNITED STATES OF AMERICA, WITHIN THE MEANING OF ANY ORGANIC ACT OF GUAM OR STATUTORY DEBT LIMITATION PROVISIONS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE GOVERNMENT OF GUAM IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE CORPORATION HAS NO TAXING POWER.

THE BONDS ARE NOT A DEBT OF THE GOVERNMENT OF GUAM, AND THE GOVERNMENT OF GUAM IS NOT LIABLE FOR THE PAYMENT THEREOF.

Principal hereof is payable to the Owner hereof or its transferees on presentation at the principal corporate trust office of the Trustee. Interest hereon is payable by check or draft of the Trustee mailed to the person in whose name the Bonds are registered on the registration books of the Trustee on the Record Date with respect to each Interest Payment Date; provided, however, that payment of such interest shall be made by wire transfer to any Owner of any Bonds in an aggregate principal amount of at least \$1,000,000, if such Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number and other necessary information for such purposes at least 15 days before the applicable Interest Payment Date. The principal of and interest on the Bonds are payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of Bonds issued under, secured by and entitled to the protection of the Indenture. Reference is hereby made to the Indenture for a description of the rights, duties and obligations of the Corporation, the Trustee and the owners of the Bonds and the terms and conditions upon which the Bonds will be deemed to be paid, at or prior to the Maturity Date or redemption of the Bonds, upon the making of provision for the payment thereof in the manner set forth in the Indenture.

This Bond is subject to redemption in accordance with the terms set forth in the Indenture.

The registration of this Bond is transferable by the Owner hereof or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture.

The Corporation and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Corporation nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable in the form of fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Trustee shall not be required to register the transfer of or exchange any Bond during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to register the transfer of or exchange any Bonds selected or called for redemption in whole or in part.

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with

respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Corporation and the rights of the owners of the Bonds at any time by the Corporation with consent of the owners of a majority in aggregate principal amount of the Bonds. Any such consent or waiver by the owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any Bond issued upon registration of the transfer of or exchange of this Bond, whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions permitting the Trustee to waive certain past defaults under the Indenture and their consequences.

It is hereby certified, recited and declared that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, and by the Organic Act and laws of the Territory of Guam, and that the principal amount of the Bonds, together with all other indebtedness of the Corporation, does not exceed any limit prescribed by the Act, or by the Organic Act or laws of the Territory of Guam, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been dated and signed by the Trustee.

IN WITNESS WHEREOF, the Corporation has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of Executive Director and attested by the manual or facsimile signature of its Assistant Secretary.

GUAM HOUSING CORPORATION

By: _____

Attest:

Assistant Secretary

Date of Authentication:

This Bond is one of the Bonds of the issue described in the Indenture described herein.

[NAME OF TRUSTEE], as Trustee

By: _____
Authorized Signatory

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond, and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Bond on the registration books of the Trustee with full power of substitution in the premises.

DATED: _____

Signature Guaranteed by:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

By: _____
Title: _____

EXHIBIT B

[FORM OF 1997 SERIES B BOND]

**GUAM HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
(GUARANTEED MORTGAGE-BACKED SECURITIES PROGRAM)
1997 SERIES B**

REGISTERED OWNER:

PRINCIPAL AMOUNT:

NUMBER: BOND DATE: MATURITY DATE: INITIAL INTEREST RATE: CUSIP:
R-

Guam Housing Corporation (the "Corporation"), a duly constituted body corporate, organized and existing under the laws of the Territory of Guam (the "Territory"), including Chapter 4 of Title 12 of the Guam Code Annotated (the "Act"), for value received, promises to pay (but only out of the revenues and other assets pledged therefor) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption as set forth in the Indenture dated as of _____ 1, 1997 (the "Indenture") by and between the Corporation and the [Name of Trustee], as trustee), the Principal Amount specified above and to pay interest thereon, solely from said revenues and assets, from the Interest Payment Date (as hereinafter defined) next preceding the date of registration of this Bond unless this Bond is registered on or before the first Interest Payment Date, in which event it shall bear interest from the Bond Date above until payment of such Principal Amount shall be discharged as provided in the Indenture payable on _____ 1, 1997 and on any subsequent mandatory tender date established under the Indenture (each a "Mandatory Tender Date") and on each _____ 1 and _____ 1, commencing on the first _____ 1 or _____ 1 following the final Mandatory Tender Date (each an "Interest Payment Date"). To but not including _____ 1, 1997, this Bond shall bear interest at the Initial Interest Rate set forth above. Commencing on _____ 1, 1997, this Bond shall bear interest at a rate determined in accordance with the Indenture.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION AND ARE NOT A LIEN OR CHARGE UPON THE FUNDS OR PROPERTY OF THE CORPORATION, EXCEPT TO THE EXTENT OF THE PLEDGE AND ASSIGNMENT SET FORTH IN THE INDENTURE AND IN THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR A LOAN OF CREDIT OF THE GOVERNMENT OF GUAM OR THE UNITED STATES OF AMERICA, WITHIN THE MEANING OF

ANY ORGANIC ACT OF GUAM OR STATUTORY DEBT LIMITATION PROVISIONS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE GOVERNMENT OF GUAM IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE CORPORATION HAS NO TAXING POWER. THE BONDS ARE NOT A DEBT OF THE GOVERNMENT OF GUAM, AND THE GOVERNMENT OF GUAM IS NOT LIABLE FOR THE PAYMENT THEREOF.

Principal hereof is payable to the Owner hereof or its transferees on presentation at the principal corporate trust office of the Trustee. Interest hereon is payable by check or draft of the Trustee mailed to the person in whose name the Bonds are registered on the registration books of the Trustee on the Record Date with respect to each Interest Payment Date; provided, however, that payment of such interest shall be made by wire transfer to any Owner of any Bonds in an aggregate principal amount of at least \$1,000,000, if such Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number and other necessary information for such purposes at least 15 days before the applicable Interest Payment Date. The principal of and interest on the Bonds are payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of Bonds issued under, secured by and entitled to the protection of the Indenture. Reference is hereby made to the Indenture for a description of the rights, duties and obligations of the Corporation, the Trustee and the owners of the Bonds and the terms and conditions upon which the Bonds will be deemed to be paid, at or prior to the Maturity Date or redemption of the Bonds, upon the making of provision for the payment thereof in the manner set forth in the Indenture.

This Bond is subject to mandatory tender for purchase or redemption on each Mandatory Tender Date and to redemption on other dates in accordance with the terms set forth in the Indenture.

The registration of this Bond is transferable by the Owner hereof or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture.

The Corporation and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Corporation nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable in the form of fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Trustee shall not be required to register the transfer of or exchange any Bond during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor

to register the transfer of or exchange any Bonds selected or called for redemption in whole or in part.

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Corporation and the rights of the owners of the Bonds at any time by the Corporation with consent of the owners of a majority in aggregate principal amount of the Bonds. Any such consent or waiver by the owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any Bond issued upon registration of the transfer of or exchange of this Bond, whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions permitting the Trustee to waive certain past defaults under the Indenture and their consequences.

It is hereby certified, recited and declared that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, and by the Organic Act and laws of the Territory of Guam, and that the principal amount of the Bonds, together with all other indebtedness of the Corporation, does not exceed any limit prescribed by the Act, or by the Organic Act or laws of the Territory of Guam, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been dated and signed by the Trustee.

IN WITNESS WHEREOF, the Corporation has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of Executive Director and attested by the manual or facsimile signature of its Assistant Secretary.

GUAM HOUSING CORPORATION

By: _____

Attest:

Assistant Secretary

Date of Authentication:

This Bond is one of the Bonds of the issue described in the Indenture described herein.

[NAME OF TRUSTEE], as Trustee

By: _____
Authorized Signatory

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond, and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Bond on the registration books of the Trustee with full power of substitution in the premises.

DATED: _____

Signature Guaranteed by:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

By: _____
Title: _____



LEGISLATIVE
COMMITTEE
MEMBERSHIP

Chairman
Finance & Taxation

Vice-Chairman
Rules,
Government Reform
& Federal Affairs

Education

Natural Resources

Health &
Human Services

Tourism, Economic
Development & Cultural
Affairs

Judiciary,
Public Safety &
Consumer Protection

Transportation,
Telecommunications, &
Micronesian Affairs

MEMBERSHIP

Guam Finance
Commission

Commission on Self
Determination

August 27, 1997

The Honorable Speaker Antonio R. Unpingco
24th Guam Legislature
155 Hesler Street
Agana, Guam 96910

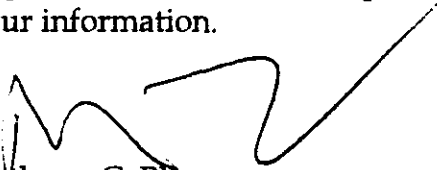
Dear Mr. Speaker:

The Committee on Finance and Taxation now reports its findings on Bill No. 149, An Act to Amend §4104, subsection (a) of §4104, Subsection (m) §4104, §4105, §4106 and §4214, to Add a New §4103.5 and §4106.1, and Add a New Article 6, All to Title 12, Guam Code Annotated, and to Approve the Terms and Conditions of the Issuance of Up to ~~\$63,000,000~~ \$50,000,000 of Revenue Bonds of the Guam Housing Corporation, and to Amend Sections 4,6,7,8,10 and 13 of P.L. 20-225, Relative to the Lada Estates Affordable Housing Project, to the full Legislature with the recommendation TO DO PASS.

Votes of the committee members are as follows:

To Pass	<u>8</u>
Not To Pass	_____
Inactive File	_____
Abstained	<u>2</u>
Off-Island	<u>1</u>
Not Available	_____

Copies of the Committee Report and all pertinent documents are attached for your information.


Anthony C. Blaz

Attachments

**COMMITTEE ON FINANCE & TAXATION PUBLIC HEARING
BILL NO. 149 (GOV'S REQ)**

**APRIL 2, 1997
TAPE 1**

AN ACT TO AMEND §4101, SUBSECTION (a) OF §4104, SUBSECTION (m) OF §4104, §4105, §4106, AND §4214, TO ADD A NEW §4103.5, SUBSECTION (n) OF §4104 AND §4106.1, AND ADD A NEW ARTICLE 6, ALL TO TITLE 12, GUAM CODE ANNOTATED, AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF UP TO \$63,000,000 OF REVENUE BONDS OF THE GUAM HOUSING CORPORATION, AND TO AMEND SECTIONS 4, 7, 8, 10, AND 13 OF P.L. 2-225, RELATIVE TO THE LADA ESTATES AFFORDABLE HOUSING PROJECT.

(senator blaz) Good morning, everyone and welcome to the Committee on Finance & Taxation's public hearing on Bill No. 149 which is an act to amend sections 4104, etc., etc., relative to the Lada Estates affordable housing project. At this time, I'd like to introduce all of the members and other senators who have come to participate in today's hearing, on my left is Dr. Larry Kasperbauer, Senator Francis Santos, Senator Tom Ada, Senator Lou Leon Guerrero, Senator Eddie Cruz on my right, Senator John Salas, Senator Tony Lamorena and Senator Frank Aguon. We'd like to welcome all of you today and thank you for your participation. At this time, I'd like to ask Mr. James Sablan, I guess, he would open it up for testimony and Miss Mary Guerrero and also Mr. Ed Untalan who will be making a presentation, and a brief presentation, right primo? OK. Just identify yourself, yourself for the record

(james sablan) Thank you, first of all before I read my testimony, I'd like to thank the Vice Speaker for taking the initiative in moving forward with this Bill 149. We did entertain this in the 23rd Guam Legislature and because of the time constraint that it did not materialize and I'd like to thank him for expeditiously moving this bill forward. Mr. Chairman, members of the committee, Hafa Adai, my name is James G. Sablan, President of Guam Housing Corporation. On behalf of the Board of Directors of the corporation, we are submitting our testimony in support of Bill 149 an act to approve the terms and conditions of Guam Housing Corporation's single family mortgage revenue bond. The mission of the corporation is to create and preserve sustainable communities through innovative financing and development by promoting private investment, and affordable housing programs for the people of Guam. Guam Housing Corporation has expressed a need to make funds available to satisfy the acute demand for low and moderate income housing on Guam. While the corporation wishes to make mortgage loans available for a variety of properties on Guam, Guam Housing Corporation's intention is to also develop and expand the housing stock on the island through the construction of the Lada Estates affordable housing as mandated in Public Law 20-225. After careful analysis with GEDA and Guam Housing Corporation, we have concluded that the most cost effective way to make mortgage funds available for the present housing stock and to provide the financing mechanism for the Lada Estates housing project is to issue a tax exempt single family bond issue. The bond issue is not only affordable to the borrower but also very attractive to the private lending institution as they will be participants in the origination and servicing of these loans. The bonds will be structured to assist the low and moderate income families that are first time home owners. The dwelling units must be owner occupied and mortgaged as principal place of residence. We anticipate the bond to be rated Triple A by Standard and Poors or Moody's thus providing a blue market interest rate to the consumer. The characteristics of the loan is a thirty (30) year level payment first lien fixed rate mortgages. The mortgager will be required to provide a five (5) percent down payment to purchase or construct a new home. All these parameters make this financing program very affordable. In the 1980s, an average of about seven hundred (700) new units were added annually to Guam's housing stock. From the years 1990 through 1993, an average of eight hundred and fifty (850) were built annually. In 1994, the number of units dropped to seven thirty nine (739) and in 1995, the number of units is six hundred and four (604) and in 1996, the number dropped even lower to five seventy five (575). The drastic reduction in the number of new homes built on Guam can be attributed to the growing costs of houses. The median

value of housing on Guam grew by an unbelievable hundred and twenty seven percent (127%) from fifty seven thousand six hundred (\$57,600) in 1980 to a hundred and thirty thousand five hundred (\$130,500) in 1990. In 1995, it skyrocketed to up to a hundred and seventy nine thousand five hundred dollars (\$179,500). In 1993, the urban institute conducted a study on Guam's housing needs and concluded that Guam was home to an estimated thirty six thousand six and fifty eight (36,658) households. The projection for 1998 is forty two thousand eight hundred sixty four (42, 864) households an increase of three percent growth per year. Of these, forty six percent or sixteen thousand eight hundred and sixty thousand (16,860) own their own homes, the remaining fifty four percent or nineteen thousand seven ninety eight (19,798) households were in the rental market excluding the very low income class of five thousand one hundred fifty nine (5,159) this meant that over fourteen thousand were potential homeowners. This tendency to rent homes on Guam is not necessarily an indication of people unwilling to buy homes, it is an indication that they are unable to do so. Homeownership on Guam will be higher in demand if it were made more affordable. Increase home ownership on Guam will have countless benefits. Home ownership generates benefits for both the individual and the island as a whole. The numerous benefits of homeownership have wide and far ranging effects. As mentioned earlier, homeownership will lead to financial security, increase personal pride, improve communities on Guam, and most importantly foster economic growth. The window of opportunity is fast approaching, present interest rates are very attractive and the down payment is much more affordable to low and moderate income families. The majority of bond proceeds will be used primarily for the Lada Estates housing project and the remaining funds to the other government sponsored projects such as the Land for the Landless program and more recently is the Chamorro Land Trust residents. or families are eligible under that program. The issuance, in closing, the passing of this legislation would, not only, benefit the low or moderate income families and the private lending institutions, it would also provide job opportunities for the people of Guam. The issuance of the single family mortgage revenue bond can materialize only with your support and we humbly ask for your favorable consideration in helping our local families realizing their dream for homeownership. Thank you.

(senator blaz) Ed.

(ed untalan) Good morning, Mr. Chairman, good morning, Mr. Chairman, members of the Committee on Finance and Taxation, ladies and gentlemen for the record, my name is Ed Untalan and I'm the Acting Administrator for the Guam Economic Development Authority. On the behalf of the Authority and it's Board of Directors, I would like to thank you for allowing me the opportunity to testify on Bill 149. Attached with my testimony is a copy of GEDA and Guam Housing's presentation which provides a brief overview of the program and the issuance process at the conclusion of my testimony. As GEDA's enabling statute direct agency to be the primary catalyst in the economic development of Guam, we are obligated to provide the island leaders with our comments on potential impact of the proposed legislation that it may have in fulfilling it's charter mission. As the government central financial? ____ we're obligated to assist in the creation of a supply of money available to housing, finance construction and for mortgage financing. With the passage of Bill 149, we begin to accomplish these goals. Bill 149 provides a mechanism that accomplishes five major affordable housing objectives: the creation of a supply of money that will be used for mortgage financing at lower than conventional rates, the construction of four hundred affordable single family homes earmarked at low and moderate income families, the complete implementation of the Lada Law to accommodate low income households specifically those who cannot afford to own a home, the reintroduction of private mortgage insurance back into the territory and with the existing structure that we will present to you today, the elimination of risks associated with interest rates and non origination calls. The housing study, completed in 1993, disclosed a shortage of approximately six to seven thousand homes. That's for nearly a year and a half and as Mr. Sablan had mentioned, GEDA and Guam Housing have been working closely in designing the issue that will begin to address this shortage. The original structure was a standard mortgage revenue issue where it was insured by FHA and wrapped with a Jennie May guarantee. This structure normally gives the rating agencies enough securities to grant these issues a Triple A rating. GEDA strongly supports the legislative findings of the bill as it will allow the Guam Housing Corporation the flexibility it needs to

proceed with financing mortgage loan programs that isn't able, by law, to do. Members of the committee, I think that you'll agree that there is a demand for affordable housing, passage of this bill will help implement a lower cost of financing program for a gap group family household which finds it difficult to obtain financing, the low to moderate income group. GEDA further feels that through the issuance of mortgage revenue bonds, everyone participating will benefit, the participants include the homeowner who will be able to acquire a house with low interest financing, localizing lending institutions who by the way will be the only ones who can originate mortgages under this program, receives origination fees and closing costs and the construction sector of the economy who will see a demand for their services when the Lada Affordable Housing projects get started. The mortgage revenue bonds will not contribute to the government of Guam's general obligation debt that is the bonds will have an identified repayment source namely the principal interest payments that homeowners will make to their lender. Thus, the MRBs will not be dependent on the full faith and credit of the government of Guam like most general obligation debt is. Their use would be more similar to the GPA and GAA bond issues a few years ago. However, like these two previous revenue bond issues, MRBs have unique features all their own such as mortgage insurance provisions and mortgage pass through features. In conclusion, GEDA feels that the benefits of the issuance as well as the financing program outweigh the costs. I think we all agree that there is a demand for affordable housing for our people. Passage of this bill will help make it become a reality, therefore, we support and urge you to support the passage of this bill. If I can ,(muffled)... What we tried to do is try to put together a bit of a presentation to try to simplify the bond issuance process and to try to explain who and what is involved with this whole deal. So, what we have initially first is an overview of what we're going to present, we will explain who the financing teams members are, we will go through a brief of the Guam housing market and the challenges to homeownership and the Guam's homeownership ratios and of course, barriers to homeownership. We'll also identify the mortgage revenue bond target market, give a brief description of the Lada Estates project and then we'll go into the most important part, which I think, everybody will agree is what is the benefit of this issuance and what is this bond issuance process all about. We'll then give you an example of the estimated monthly payments and closing costs and show you a differential between this bond issue or financing with this bond issue and financing without this bond issue. Then we'll give a brief description of the cost of the issuance and it's breakdown. If you do have the handout, I don't know if we have to have some prepared for you, there are a number of people involved in this entire project. GEDA will be facilitating the bond issue, Guam Housing would be administrating the housing and insurance program and the reviewing for SEMAC, the applications as they are submitted by the lending institutions for private mortgage insurance. The financial advisor is Alex Brown, Incorporated and they will be advising GEDA and Guam Housing on the credit and bond structures as well ensuring competitive pricing during closing. The Underwriter is Smith-Barney and of course they'll be structuring and selling the bond issues accessing both the retail institutional investors who sell the bonds at the lowest possible rates.

(senator santos) Mr. Chairman, I have got a question. Mr. Untalan, this bond has not yet been issued?

(mr. untalan) No, sir.

(senator santos) Then how can Smith-Barney already get the Underwriting.....

(mr. untalan) It was bid out two years ago, for an Underwriter and it went through the competitive process and it was awarded to Smith-Barney.

(senator santos) Is there a possibility of rebidding it again and seeing if we can get a better rate or is this a done deal as a result of the hundred and fifteen million (115,000,000) bond that we did two years ago?

(mr. untalan) It had nothing to do with the hundred and fifteen (115,000,000), it was a separate RFT that went out for this issue and it was awarded already to Smith-Barney so when we're talking about closing and pricing, that has yet to

occur and the financial advisors will be reviewing the pricing mechanism and making sure that Smith-Barney is giving us the best prices available.

(senator blaz) Ed, is this a negotiated issue or a competitive one?

(mr. untalan) It's a negotiated issue.

(senator santos) OK, going down then to the mortgage insurance, that SEMAC Company, are they licensed to do business on Guam?

(mr. untalan) They're obtaining their license at this present time.

(senator santos) OK.

(mr. untalan) So anyhow we have bond counsel with which everyone is familiar with, Mr. Stan Dirks of Orick and Sutcliff Harrington and I believe everybody is familiar and I believe everybody is familiar with their role, creating bond documents and assuring all tax and bond covenants are met. The mortgage insurance, we initially had it with FHA but because what we wanted to do was we wanted to try to get as much lenders as possible involved and to try to issue the mortgages as fast as possible and we also wanted to try to reintroduce private mortgage insurance back onto the island, we decided that we could try to get a private mortgage insurer and SEMAC came out and said they wanted to try to do this as a pilot project and if this is successful, then they will work with all the local banks in setting up an arrangement to be permanently here. Mortgage securitization, we were looking at originally a Jennie Mae backed security, however, Freddie Mac has agreed to take the whole thing instead and they'll be swapping the mortgages for a mortgage backed securities and providing the credit enhancement to get us the Triple A Rating that we'll need in the market. ... (muffled conversation)....I'm sorry? They've received a pass through at the time the lenders, it about forty five basis points.(muffled conversation)....it's forty five basis points on the mortgage ...well, no they're not going to get paid, initially up front, they're going to get paid as the loan payments are received. And, I'll explain that as we go through it later, OK....(muffled conversation)..... They'll be getting paid and we'll give examples of what they're going to be getting, nothing's coming up front, everything will be paid as the lender or the individual home owners make their payments to the banks. SEMAC will be receiving a portion for the private mortgage insurance, etcetera. And, I have to also apologize, we wanted to try to get the Underwriter, the financial advisors and the bond counsels in town, however, they were, our Financial Advisors were in last week but because of the unfortunate death of, I believe, it was scheduled for last week Monday, we had to reschedule it and we couldn't get everybody back in here. But, I understand that there's also going to be a mark up or a committee to hold a.....(muffled conversation).....right, that we can bring them in for further detailed questions if you like. The rating agencies, we'll be looking to Standard and Poor's and or Moodys depending upon the cost and we'll of course they'll be reviewing the legal and financial structure and assigning a bond rating to this issue. And the trustee which is yet to be determined will play a major role as they manage the cash flow and flow of funds pursuant to the bond indenture. This will be issuing an RFP once we get the support of the Legislature. Guam Housing's market based on the study about ninety six hundred (9600) island households meet the first time homeowner eligibility requirements, nearly three thousand (3000) of these households are currently seeking to purchase a new home. Over fifty percent of these households have an average annual income of about twenty (\$20,000) to fifty thousand dollars (\$50,000) and the island incomes are predicted to increase about seven point five percent (7.5%) annually through 1998. Please understand this study was done in 1993 and it has not been updated since. Households are expected to grow about three percent ((3%) annually through 1998 and the housing prices are expected to, of course, increase in line with income growth. In 1994, the Urban Land Institute conducted a study of the housing needs of Guam and determined that affordability of course is the biggest problem facing households on Guam. With twenty two percent (22%) or seventy nine hundred (7900) households paying excessive

costs. An estimated twelve percent (12%) or forty three hundred (4300) of the Guam households live in housing that are severely physically inadequate and fourteen percent (14%) or five thousand (5000) are overcrowded. Very low income households, particularly, renters are the most likely to have an affordability problem. Eighty five percent (85%) of such households faced housing affordability problems in 1993. Guam's housing profile is characterized by the minority of owner occupied units to renter occupied dwelling units. In the United States, the current national average is around sixty five percent (65%) ownership versus thirty five percent (35%) renters, here we have the reverse, where forty six percent (46%) are owners towards fifty four percent (54%) of renters. Guam Housing and GEDA's goal is to increase the number of owner occupied residences which will benefit the homeowner by providing pride in homeownership to families, establish equity for the future and of course stimulate the island's economy.

(senator ada) Mr. Chairman, can Mr. Untalan can you just clarify? Is all the data that you're presenting here based on a 1993 study?

(mr. untalan) They are.

(senator ada) So, this is a 1993, facts here that we're looking at?

(mr. untalan) Right, sir.

(senator ada) When you put this together to present it in 1997, did it occur to you to try and, was there any effort made to update any of the information, for example, the average income was going to increase by about seven and a half percent (7 1/2%) a year up to 1998, you know, GovGuam employees for example have not had any pay raises in the past two years and it's probably the same thing out in the private sector so was there any attempt at all to update this thing?

(mr. untalan) We wanted to try to do it, like a lot of the agencies we ran into funding problems and I believe Jim

(senator ada) So you're comfortable then in coming in and asking for sixty three million dollars (\$63,,000,000) issuance based on 1993 data?

(mr. untalan) I believe so particularly because of the housing shortages that we face and we also look at the, HUD also provides us with the average median income levels and those levels are still pretty moderately low and fall within the ratios that we are presenting here as well. I believe the average annual median income as presented by HUD for 1996 was approximately forty two thousand dollars a year.(muffled dialogue) It's the low to low income which is ranging anywhere between twenty thousand to forty two thousand dollars a year.(muffled dialogue) Yes, sir, yes, sir. At the present time, there's not a viable supply of affordable housing on Guam, four primary obstacles: land, of course, is costly and limited, construction costs are very high, conventional financing and interest rates are significantly higher than normal, at least, under this conventional rates versus this mortgage revenue bond program, and insurance costs are high. To address the acute need for affordable housing, Guam Housing plans to, of course, issue this mortgage revenue bond to assist, with the assistance of local banks.(muffled dialogue) I'm sorry. It was a total of sixty three million dollars initially and what we felt was a, it was also linked with, not directly linked with the Lada construction, and it came out that the construction of Lada Estates was about, initial bid is forty five million dollars so what we wanted to do was give about maybe five to ten million dollars to finance other local bank programs or other individual home owners that may want to exist there. And what I wanted to do is go into it later, present how we're going to try to avoid non origination calls and interest rate risks. Because there were some problems that we had encountered back in the early 80s when we did the initial housing issue. ...(muffled conversation)....I think, it originally was, when we first was asked for it, they were asking for a sixty three million dollars assuming the cost

.....(muffled dialogue) right. The sixty three million dollars, the proposed is we can issue up to sixty three but based on our analysis and what our need is for now we're looking at just fifty million dollars.(muffled dialogue) fifty, yes, sir, that's fine but, no, that's according to the federal statute you can borrow up to sixty three million dollars for the island, yes.(muffled dialogue) yes,no, we can amend that to float only fifty million dollars(muffled dialogue) we have an annual cap of about forty four million and what happened is that we had carried forward from the previous years that amounted to a total of sixty three million that he was asking for.(muffled dialogue) we have different breakdowns from carry forwards of the previous years some for water, power and housing.(muffled dialogue)

(senator blaz) OK, ok.

(senator santos) No, I thought, the reason why I'd bring this up, Mr. Chairman, is that in my conversations with these gentlemen they indicated that their funding source is going to be a private source bond, OK? Now, if you max out and authorize this(muffled dialogue).

(mr. untalan) OK, what happened was back in 1993, we had carried forward of about twenty two million dollars, there's a three year window of when you can use it, so, '93, '94, I'm sorry 1994 we carried forward about twenty million, twenty two million dollars. In 1993, we carried forward about forty four million dollars which expired just last year. What we had asked the Governor to do was to carry forward last year's appropriation of forty four million dollars and dedicate it to housing and leave this year's appropriations open. It could be used for the incinerary it could be used for any other private activity financing so we didn't want to try to lock it in.

(senator blaz) OK, what we can do is for every part of your presentation I'll just allow the committee members to go ahead and ask questions.

(mr. untalan) OK, the target market, of course, is the low to moderate income which is the maximum hundred and fifteen percent of the area median income, around forty five thousand dollars annual income. First time homeowners, they must be and the principal residence would have to be a primary principal residence and the bond proceeds would be available for housing all over on Guam not just specifically limited to Lada project itself. Now what we wanted to do was bring up Lada Estates because we wanted to say that none of the bond proceeds will be used for construction. When you presented the initial issue to the analysts, they asked us if there was any supply of housing available and we didn't have that readily available so when we had presented the four hundred homes to be constructed, they felt more comfortable, at least that they will have at least four hundred homes readily available and can be used for this project and they felt more comfortable allowing anywhere between five to ten million dollars for other first time homeowners that may be existing or waiting for financing in the local banks. So we have the Lada Estates which is a turnkey project with four to five phases. The project consists of approximately four hundred homes sitting on forty six acres of land owned by Guam Housing. The land is appraised at about seven point five million and construction costs is expected to be around forty five to fifty million dollars. It was just, the last bids received which was, it came in at about forty two to forty three million dollars. Construction of Lada, again must be emphasized, will not be funded by this mortgage revenue bond. It's the mortgages that will be funded, in the purchase of these mortgages. The infrastructuring will be part of the development costs and the prices will roughly range between a hundred thousand to a hundred and forty five thousand dollars and the homeowner will purchase both the home and lot. The benefits of this issuance(muffled dialogue)yes, sir? The house we're looking at is fourteen hundred square feet and the house lot is, Mr. Cruz, can you answer that?(muffled dialogue) approximately five hundred square meters per lot.

(senator ada) What's the infrastructure costing you?(muffled dialogue)

(mr. untalan) The infrastructure, ..seven point two for the onsite infrastructure, three point five totaling about ten, ten plus. Ten million.(muffled dialogue) And that's factored into the forty three already.

(senator ada) Is Guam Housing going to be required to make any contribution to the like the waterworks authority because when you put up four when you stimulate the construction of let's say four hundred units it definitely is going to put pressure on the infrastructure of the water.....

(mr untalan) Yes, yes we have to put one water well which is going to cost about four hundred thousand.

(senator ada) One water well to support that? And that's the only contribution in kind that the Housing Corporation will have to make to Guam Waterworks because there's also sewer impact?

(mr. untalan) Well, we're funding the entire infrastructure development so it's inclusive in the.....

(senator ada) The service within the estate but when you take it out of the estate, to then pump it down to the sewer treatment plant there may need to be some upgrades made so normally you know, there's contributions that have to be made to Guam Waterworks Authority. Sometimes, they assess it sometimes they don't. It's not consistent.

(mr. cruz) Senator, in the law now I think Section 7 of Public Law 20225, stated that the government shall be responsible for the offsite infrastructure and access road. And these will act to call the attention of this committee in the event that the government cannot provide the funding the law must be amended but you may include it on the cost of the project.

(senator ada) If the government can afford it, if the government can afford it, what, in essence, it's going to mean is that everybody else living outside of Lada Estates will actually be subsidizing that development.(muffled conversation) ...if the government of Guam is going to pick up the cost of that infrastructure.

(mr untalan) That's correct, on the other hand, Senator we're trying to cut the cost down for this affordable housing as you know that

(senator ada) Which means that you and I and everybody else who's not going to be living in Lada Estates is going to be subsidizing, further subsidizing

(mr. untalan) Well, I think it's a responsibility for the government of Guam to provide

(senator blaz) I rule again to debate about that but that's a point well taken, Senator Ada, and that will be noted. Mr. Cruz, you can

(?) Just a few more slides.

(senator santos) Can we just stand there at the fourteen hundred square foot houses for the four bedroom I would assume right? What's the size dimensions of the three bedroom house ?

(?)(muffled conversation) ...

(senator ?) Thousand or eleven hundred square feet?

(?) OK, Senator?

(senator santos?) Now, where are we at in terms of pages of the turnkey projects and what are we expecting of each contractor to do? What is the maximum risk we're looking at?

(mr. sablan) Senator, if you don't mind, we do have a presentation to do on the **development of Lada Estates** project. And after the presentation of GEDA we can do that.

(mr sablan) I've just got a couple more slides left and just to explain the bond issuance and then the benefits etcetera. Now the benefits of this issuance, homeowners can receive affordable housing with low interest rate financing, lower down payments, of course, with the reintroduction of private mortgage insurance, lower monthly payments and it's going to be a little bit misleading here because you're financing a higher amount and I'll show you when we call in to the example. Pride in homeownership, 2001 vision goals for affordable housing and promotes the private development of affordable programs, completion of Lada Estates project and increases in homeownership. The lending institutions benefit by receiving origination and servicing fees, they would also receive Community Reinvestment Act or CRA credit and increases their loan activity. Now here's a real, when we were trying to simplify the process as much as possible, the bonds of course go through the bond holders which goes to the Underwriters, Smith-Barney transferred to the trustee which is on item number one and then certain, certain funds are established that are normal, cost of issuance collateral, account reserves funds and the program fund where the bulk of the funds will be headed for. The program fund will be targeted to finance homes under the Lada Estates or other single family housing programs that exist with the laws of lending institutions. Now, what happens is, is that the banks then would pull the mortgages once the homeowner comes and borrows from the banks and they send it to the master servicer who then forwards it, packages it and forwards it to Freddie Mac. It's at, where the bank's level, where SEMAC provides insurance then once the banks forwards it to Freddie Mac, Freddie Mac then packages it into a security known as a mortgage backed security and then those mortgage backed securities will be sold back to the trustee. So, it eventually comes back to the trustees so those program funds are buying the mortgages from the banks and that's how it's designed. So, it has nothing to do with the construction of Lada but it's financing mortgages for homeowners. Any questions, there? OK, and then this slide can also be used to show the payment stream where the homeowners pay the banks and it passes through Freddie Mac where they get a certain percentage of the interest rate and then the payments are made back to the trustee which the trustee then pays for the bond itself.

(senator santos) Where does Guam Housing make money on this?

(mr. sablan) On the sale of the land which is ...what, three dollars per square meter..

(senator santos) Three dollars per square meter?

(mr. sablan) Senator, we're not here to provide any income but just to provide the financing that is available.

(senator santos) Jim, I understand that but the administrative fees involved in doing this thing is not for free here either but your lending institution per se and that's what you want it to become as a result of this legislation. You have to have some kind of fee to do the work it's not for free. So, where in this whole equation are you going, there's going to be some extra work involved because assuming you have four hundred more people to administer a project for. If you're going to tell me today that I'm not going to increase my staff and I will gladly support you.

(mr. sablan) But, basically,(muffled dialogue)

(senator santos?) There you go, that's what I wanted to hear. Thank you very much

(mr. sablan) The origination fees are, a loan origination fee of one percent that we're charging the banks to commit to the program and that's reimbursable from the borrowers to the banks. Guam Housing is only there to provide the program and to administer the program and to recover the cost. And, basically, we're not making any income or profit....

(?)so, I go back to the same question. How do you expect to run a four, possibly four hundred more people coming into your operation without any money?

(j. sablan) Well, the way the program is situated is that the bank, the lending institutions which are, five have already committed, they're going to be doing the loan origination and the servicing of the loans. All we do is just administer and make sure that they make their payments and

(?)provide compliance for SEMAC? So, very little work involved?

(mr. sablan) Very little, I mean just basically administrative work.

(mr. sablan) And out of the two, two and a half percent origination fee, Guam Housing gets one percent of that.

(?) And that's to pay for cost of issuance.

(mr. sablan) Yes.

(?) If we float fifty billion for example one percent is five hundred thousand the cost to float this bond is what a million?

(mr. sablan) It's about a million or two percent of the entire issue so, just to recoup the cost of the insurance is what we're asking.

(mr. sablan) Now the Underwriters of course had their presentation ready and if I'd, you know a lot of that technical stuff and then their numbers we didn't have with us today.

(senator blaz) What we're going to do is have another hearing subsequent to this probably within the next week and a half and we can make that arrangement so that the Underwriters can

(mr. sablan) What we wanted to do was just try to explain the bond issuance process and ...

(senator blaz) This is just the first of a couple of hearings.

(mr. sablan) OK, great. So, now here's an example of the monthly payments and the closing costs. We were asked what is the benefit to the homeowner, now, with the mortgage revenue bond issue we're looking at an example of a hundred thousand dollar sale price financed at thirty years. With the mortgage revenue bond issue, you're looking to finance ninety five thousand dollars of the hundred thousand dollar home, without the mortgage revenue bond you're looking at eighty thousand. Yes, sir?

(senator blaz) Ed, on the, Guam Housing Corporation bond buys the Freddie Mac securities, right, and these securities are created by the mortgages, point forty five basis points or almost a half a percent is the cost of using Freddie Mac, why are we doing that?

(mr. sablan) I'm sorry?

(senator blaz) Why are we doing this? Point forty five basis points or almost a half a percent is the cost of using Freddie Mac?

(mr. sablan) In order to get credit enhancement, the fact is, either the Jennie Mae or the Freddie Mac to get us the Triple A Rating, the credit has been needed for the bond market, we needed to get one of those institutions and Freddie Mac has agreed to....right. Freddie Mac is the most dominant player here in the local market, Fannie Mae is hardly around. So, we had an example as well with the Underwriters that sold the pass through and how much the original cost of the bond and how the costs are added on to but still almost one hundred basis points or one percent lower than the market. So, anyhow, down payment of course is five thousand versus the twenty thousand dollars. Interest rate is about a one percent differential, the interest rate is about a one percent differential, between an conventional financed loan versus this bond issuance loan. The points, we're using examples here at two and a half percent, which one percent goes to Guam Housing. So, you're looking at two thousand three hundred with the mortgage revenue bond versus two thousand, of course, you've got higher loan amount. So, the monthly payment is slightly higher under the mortgage revenue bond because you're financing almost fifteen thousand dollars more. At six ninety seven versus six forty three. Insurance, we're estimating roughly about seventy nine dollars versus sixty seven, taxes is twenty seven dollars versus twenty three dollars, and private mortgage insurance is, we're estimating roughly about sixty dollars a month versus zero of course because one has insurance, the other one doesn't have insurance.

(senator blaz) You know, if the risk is being taken by Freddie Mac and I should point it out in that last thing that you did, this private mortgage insurance or pmi 5938, what is that going to cover?

(mr. sablan) The private mortgage insurance, Freddie Mac will cover up to eighty percent, private mortgage insurance ... it covers the difference. So SEMAC has conserved the primary insurer for this whole deal providing that we can then, Freddie Mac, can then take secondary coverage. And in that whole package, which is ninety five percent covered, is insured and slapped into a bond issue.

(senator blaz) Yes, but it seems like we're insuring to death here.

(mr. sablan) ...(muffled dialogue) that's the risks that's there that's just local bank risk. So, what we have here is of course the cost differential, you've got the down payment, you've got the points, appraisal, we're estimating at roughly the same, prepaid interest slightly higher because you're financing a larger amount. These rundown there with the closing costs estimated two months' reserves, etcetera for the banks, you're talking costs of about nine thousand dollars with this mortgage revenue bond issue versus twenty four thousand nine dollars without it. And that's where affordability comes into play. Now, the annual percentage rate, we calculated to be, roughly about eight point three four percent with an interest rate of eight percent versus the nine point three seven percent so you're still talking lower interest rates mortgage financing. We estimate that for the borrower to recoup, if he went through a conventional financing, it would take him almost seven to eight years just to pay off that difference of about fourteen thousand dollars, if he was to go through conventional financing. So, this is where the true costs savings comes in, he can borrow higher amount, lower down payments and save a lot in the whole bottom line, and he has lower rates of financing. ...(muffled dialogue) ...yes,(muffled dialogue) no, there's a ten year homeowner.....(muffled dialogue) well, if we're referring to our private borrower, yes you can, they can turn around and sell it. But, with the

Land for the Landless program or the Chamorro Land Trust program, or the Lada Estates program there's some restrictions on it.....(muffled dialogue)

(betty guerrero) If it's at Lada, the current law provides that it's the twenty five year owner occupancy, we are,...(muffled dialogue).. right, restrictions so they must live there. We're requesting to amend that law to make it down to ten where they would stay at Lada for ten years owner occupancy. With most financial institutions, they do have that in ?___ a lot of people would like to sell it either to their children, have them assume it if they can't, realistically, you're going to find out that most would either transfer it and build a larger home whatever the case may be. The sentiments from the other financing institutions, they're comfortable at the ten year in lieu of twenty year that's unlikely to happen for someone to just....(muffled dialogue) well, the current statute for the Lada provides for Guam Housing to have the first right of refusal so if we opt not to buy it and sell it to another eligible then that's when they will have that opportunity to fill it out again, but we still have, there is still a provision for that right of first refusal to Guam Housing so I think that's addressed there.

(?) I think that's a good deal to sell it at three rather than leaving it as boonies.....(muffled dialogue)....

(mr sablan) yes, sir. (muffled dialgue)because we, these are, with the Freddie Mac and the tax exemption you're able to get lower rates of financing,(muffled dialogue)right, exactly and that's where we'll be able to sell it at lower rates and then add on the costs for Freddie Mac, etcetera onto the interest rate and the banks will probably receive about maybe five basis points out of that, Freddie Mac forty five base points for a total of fifty etcetera.

(senator blaz) Senator Aguon?

(senator aguon) Just one question Ed are there going to be any lessening of the restrictions by the banking institutions in terms of the debt to income requirement, is this still, are they going to have the discretion of maintaining the present regulations on that because one of the concerns that I have is that perhaps we have a lot of people out there who are between the median incomes and the low incomes of one hundred thousand to a hundred and forty five thousand while many of them presently have outstanding obligations such as car payments, now are there, is there any provision within this particular proposal that would allow for at least some consideration in terms of increasing that to probably forty five, something that would be within reason and that would also ensure the integrity of the banking institution and the programs that the banks currently.....

(mr untalan) what we're were, normally, like with FHA, you can go a little higher in your debt to income where your overall debt income ratios and that's something we're trying to work with SEMAC and the institutions. We're bound by Freddie Mac and their underwriting guidelines and they're the standard twenty eight, thirty three percent but because of the private mortgage insurance I believe we can slightly get a little bit higher.

(senator aguon) OK, then let me throw a follow up question in regards to that. Let's say if Freddie Mac maintains it's present restrictions of twenty eight percent or even thirty six percent for that matter. Are you going to allow potential first time homeowners the opportunity to be able to look at debt consolidation in conjunction with being able to finance this home?

(mr sablan) No. Not to that, let me, we can work with the local banks and have them have maybe a separate program to try to consolidate some of the debt but the entire issue the loan itself must be for the purchase of the home. Now, one of the ways we can try to get around the debt to income ratio restrictions is by **adjusting** the higher loan to value of the amount of equities available. We're estimating with the low cost of land, the actual loan to value between anywhere between seventy to seventy four percent of security for the banks and Freddie Mac so with that type of

argument you know GEDA's been successful, at least when I was there, to try to argue that we can ask for a little higher debt ratios. Of course, we must show the performance, the credit history of the borrower, and you know, his stability of his employment, all those come into play. So, we'll work with the banks and try to encourage them to try to be as aggressive as possible and try, in getting this program up and running and again if we've got the lending side from a real estate side and then if they look to try to consolidate to help the borrowers it helps them from a commercial I mean consumer side. So, it can play both ways.

(?) Has there ever been an analysis conducted in regards to looking at the amount of equity that may be available? Let's say at a three bedroom, two bath facility, with the lot being provided in this case?

(mr sablan) Anywhere between seventy to seventy four percent loan to value so you're talking about twenty five, twenty eight percent equity.

(senator aguon) So, perhaps Freddie Mac may be a little bit more lenient in terms of **homeowner** equity aspects.

(mr. sablan) Right, right, and that's one of the things we're trying to push is that there's a lot of security here and the risk for both SEMAC and Freddie Mac is a lot lower than normal places where they would have to purchase the land at almost market value.

(senator aguon) Thank you, Mr. Chairman.

(senator blaz) Sure. Anybody else on this particular one? Yes, Ed?

(mr sablan) Just two slides real quick, this one might draw a lot of discussion, this is the cost of the whole thing. Underwriters fees is roughly about six hundred and eighty five thousand, cost of issuance about three hundred thousand, we're estimating these things. What we're trying to do is recoup a lot of the costs, because we've been going at this for about two years etcetera. And, I'm going, the cost of issuance, the Underwriters' fees is something that was I believe negotiated back in the initial issue. So, it's roughly about six dollars per thousand. ... (muffled conversation)... I'm sorry? .. (muffled conversation) .. I believe so, we are, because it was originally negotiable.. (muffled conversation)... I'm sorry? ... (muffled conversation)... well, it was something that... (muffled conversation).. yes, sir... (muffled conversation)... There's, now this is where it gets complex, one of the things we want to try and avoid... OK., this bond issue is not a straight, not a straight bond issue. When I mentioned interest rate risks and non origination **calls** is that we faced the risk, if we float the bond, and have the money sitting in the bank for ? ___ and interest rates, if the interest rates go lower then the borrowers would not probably want to come into our program because our interest rates are fixed, if interest rates go higher, then it's to our advantage. Now, when interest rates, then that we refer to the interest rate risk, non origination **calls** come into play when interest rates drop and we can't lend out the money because our interest rates are higher so the way we're doing this bond is we're floating about five to ten million dollars initially as a straight bond thirty year repayments, with which the local banks can use immediately up front for their inventory. The other thirty to forty million dollars will be floated as a convertible option bond meaning it moves when the market is short term we fix for three months at the most so when interest rates change we make sure that we can always reprice the bonds a little bit higher. Now, that's when remarketing comes, is when we have to remarket those cobs. OK, and the initial issuance of course is when they do the entire negotiation.

(senator cruz) What's the timetable for all of this?

(mr. sablan) To go to the market or to issue the whole deal? About two years.

(senator cruz) That's right andabout a family to move in?

(mr. sablan) Well, it all is linked to the construction of Lada and initially so we're.....

(mr. untalan) Actually, the first five million dollars, once the Legislature approves it and we float the bond issue the funds can be funded immediately in about maybe three months, four months down the road. That would definitely stimulate the economy by pumping in five million dollars to.. in the..

(senator cruz) I'm talking about the homes being available, when will that be?

(mr. untalan) The four hundred homes?

(senator cruz) The first home.

(mr. untalan) Well, the timeline for Lada Estates is, approximately for the first hundred units, is September of 1998.

(senator cruz) Just in time for the reelection or election?

(mr. untalan) There'll be four phases. So,

(senator cruz) That's what I wanted to find out are we going to make this a political issue or what?

(mr. untalan) Well, that's the timeline and we keep moving it back because of the delay of the funding.

(senator cruz) Well, you see, you see you didn't get the gist of my question. Excuse me you didn't get the gist of my question, my gist of the question is don't make this a political thing. What's the realistic time issue?

(mr untalan) Senator it's going to take about eighteen months to complete the first phase and we've been trying to start this project for about, drilling this thing for two years. We are not trying to make it a political issue we were trying to work it with private mortgage insurance I have a personal interest in it because as a mortgage lender in my previous life I wanted to try to reintroduce private mortgage insurance back into the island. So, I think that's going to benefit the entire island as a whole and it was back in the early eighties and from what I understand was, it got a little complex when they were here on the island, they were bought out by a firm, the company that initialed the insurance, issued the insurance, bought out by a firm and they had gone bankrupt and so they had to reorganize and when they reorganized they had about a half a million dollars in reserves that the government kept and would not release because of their change in the organizational structure so they went through this ten year battle. Now, Magic was the this insurance company back then and they're a big player in the market and these guys just passed out through the mortgage insurance community and said don't do business in Guam they'll keep your money forever. So, finally after all these years, you know we're getting somewhere and somebody's willing to take a risk starting with this pilot project. And, if it's successful, then they're willing to come in and negotiate with the banks and set up an arrangement with the banks to do private mortgage insurance again. So, you know, I look at it as an opportunity, an opportunity to find affordable homes and an opportunity to reintroduce private mortgage insurance and make affordable financing available. OK, now I'm going to give you a breakdown of the cost of issuance again, ...

(?) Ed, just one quick question in regards to the remarketing, you're going to utilize the three hundred and eighty thousand dollars you had ? _____ utilizing that over a time span of let's say ten years, when the entire project is completed.

(mr. sablan) In ten years?

(?) I mean, what time frame are you looking at, for example, you mentioned that it's going to take eighteen months or two years for the completion of the first one hundred units. Now, the remarketing aspect in terms of the fluctuation of the market because I noticed that you're looking at fixed rates for individual homeowners. So, in essence, upon the conclusion of the entire bonding project, you're going to have to close the banking rates to a fixed rate, is that correct or is that incorrect because apparently you're remarketing has the cobs...

(mr. sablan) Yes, exactly as the phase is completed, the houses become available, the cobs are converted...

(?) You convert them to fixed rates?

(mr. sablan) Right.

(?) So, in essence, you're utilizing, you're looking at utilizing that over the life span of this project?

(mr. sablan) We're looking to try to do it within a two year period, hopefully.

(?) Within a two year period?

(mr. sablan) Yes, I mean that's the best case scenario.

(?) OK, and that's your estimated cost just for the two years.

(mr. sablan) And, again, when we have the other fees I mean the other session, the Underwriters can come in here and explain the fees as thoroughly as possible and the entire issuance process and we can have another presentation made to be more detailed.

(senator cruz) Thank you Ed.

(mr. sablan) Now this is the estimated cost of the three hundred and fifteen thousand which is the cost of issuance below. Bond Counsel, rating agencies, auditors, trustees, and GEDA and the financial advisors amount to about three hundred and fifteen thousand. And, that concludes my presentation.

(senator blaz) OK, thank you, thank you.....(muffled conversation)....

(mr. sablan) ...operational fees, I mean, it could be both GEDA and Guam Housing's fees, you know, the time we travel out there for the bond closing, for the meetings with the counsels, the initial documentation fees.....(muffled conversation).... That's part of the, that's fixed in their fees, yes, so all they're travel expenses are all fixed in their fees....(muffled conversation)yes, sir?

(senator blaz) The fifty grand is for you guys, right?

(mr. untalan) Actually for recordation fees.

(mr. sablan) And administrative fees for GEDA. We're trying to recoup our costs.....that's our frequent flyer mileage.

(senator blaz) OK.....(muffled conversation)

(mr. sablan) We've got a demand for the Lada homes, Jim, how many applicants do you have sitting and waiting?

(mr. untalan) We have a total of eight hundred and sixty seven I think applicants, ..(muffled conversation)...they're qualified, yes,.....(muffled conversation).....

(ms. Guerrero) Yes, initially we had a thousand and from our review eight hundred some have been prequalified. We wanted to ensure that we do have that demand that would meet the requirements, right, and excluding the mortgage revenue bond requirement.(muffled conversation).....

(senator blaz) OK, let's hang on here now. James, do you have any presentation that you'd like to present at this time or is that exclusive? What I want to do is open it up for questions by all the committee members and before I do that I'd like to give you an opportunity to, if you have anything else to add, to Ed's presentation.

(mr. untalan) We do have several, Vice Speaker and one was already addressed by GEDA on the eligibility, on the program so what we'd like to do is since there's a lot of discussion on the Lada Estates project, we'd like to go ahead and do the presentation as well.

(senator blaz) For the Lada Estates project, OK, why don't we do that right now so we can, OK, who's going to do the presentation?

(mr. untalan) Mr. Cruz? Or Kathy? OK. Miss Kathy Taitano will do the presentation.

(senator blaz) Can we just allow Kathy to do the entire presentation then afterwards we'll open it up for questions. No, you be the first one to ask. Ed. ... (muffled conversation)....OK, you want to go ahead and finish.....(muffled conversation)....Just identify yourself for the record and just.

(ms. Taitano) My name is Kathy Taitano, I'm a Project Coordinator for Guam Housing Corporation. Lada Estates was originally put together in, under the Twentieth Guam Legislature with Public Law twenty dash two two five. ... (muffled conversation).....

(senator blaz) Don't worry, Kathy, nobody will shout at you today. We'll save all the shouting for Jim and Ed.

(ms. Taitano)alright, Public Law twenty dash two two five originally transferred the forty seven acres in Dededo to Guam Housing for the purpose of building affordable housing to be sold to eligible, a particular clientele. Goodness, we've, as I've said, it was in Dededo, it is forty seven acres somewhere in the vicinity of Wettengel Elementary. Our, it is actually adjacent to one of our existing projects, Lada Gardens Subdivision which is an existing rental, longtime, long term rental. What, our target prices as indicated are anywhere from a hundred thousand to a hundred and thirty thousand dollars for the units. It's with the land. Those are estimates as we've not gone through, we haven't.....(muffled conversation)....

(mr. sablan) At the time we were looking at April 15 for the rebid, we had it bid out and it came it, the highest bid was forty three the lowest bid was thirty nine million.....(muffled conversation)

(ms. taitano) The unit configurations are expected to be, what we had we have one existing model unit that's why it reads under unit configurations three hundred and ninety nine to be constructed. They're all three and four bedroom

units, a thousand to fourteen hundred square feet, forty nine detached units, the project is slated to be a number of single family detached duplexes and quadplexes so as to maximize the use of the property. Forty nine detached units, thirty duplexes, and three hundred and twenty quad units. Townhome style, two levels in order to maximize property use, land use and a mixed income layout which means that because we have, under Public Law Twenty dash Two Two Five, we've got three income categories, three different levels of income levels that people can fit into and with each level comes a different priced house. Under that what we wanted was to avoid a segregated community so what it is is it's a all the units are mixed, completely mixed together, Category Three units with Category One, it doesn't matter, in the quadplex units, especially, it comes out that way with the detached units being spread throughout the project. Recent progress, is December, in this past December, we went out for a invitation to bid those of the, at that time, we got twenty seven people picking up packets for Lada Estates two came back and subsequently Mr. Sablan told you what those bids came in at and they were, we've subsequently rejected those bids and we would, we're anticipating rebid sometime soon. The companies were, one was Shinjun, Inc. and the other one was Genesis ? _____, that's the name of the two, Genesis, ?____(muffled conversation).....twenty seven. (muffled conversation)....sealed, sealed bids and only two came back....yes.(muffled conversation).....wait a minute now, our target goals for ninety seven are to complete the bid process, award the bid for construction, complete contract negotiations and wreck, settle the offsite improvements a consideration we have and put Phase One into progress by late this year. (muffled conversation)....Public Works...(muffled conversation).....Senator, would you like to know who our target market is? Next board.

(mr. sablan) this is exclusively for Senator Leon Guerrero....(muffled conversation).....

(ms. taitano) OK, in the center of this board, are the basic eligibility requirements on the Lada Estates. You have to be a first time homeowner, and a five year resident of the territory, you must not have owned any property in the territory or out for three years prior to when you're applying for this project. And there are three income categories set up by the public law. The Category One Units, thirty percent of the units, four hundred of the four hundred units, thirty percent are to be sold to those making eighty percent to a hundred percent of the median area income. Under Category Two, fifty percent of those units are going to sold to those making a hundred and a hundred and thirty and the remaining twenty percent to a hundred and thirty to a hundred and fifty percent of median income....(muffled conversation)....yes, you do. (muffled conversation)....yes,(muffled conversation).... U.S. Citizenship and five year residency....(muffled conversation)....the twentieth, sorry? ...(muffled conversation)... to Category Three Units, the income, the income categories go from a hundred and fifty percent of median area income down to whatever, I mean what it comes down to, eighty. And of those, a hundred units will be sold for Category Two, eighty units to Category Three and a hundred and twenty to Category One families. (muffled conversation)....they're all three and four bedroom units...(muffled conversation)....from a thousand to fourteen hundred, the largest....(muffled conversation)....the, yes....(muffled conversation)....from ? _____ ninety and then....(muffled conversation).....we were,.....(muffled conversation)....yes, there is, we....(muffled conversation)....there is a, we intended to use a verification process through Revenue and Taxation and Land Management in order to get, if you don't pay any, if you're not paying your property taxes....(muffled conversation).....by verifying tax payment in the territory. ...(muffled conversation)....yes.....

(?) (muffled conversation).....targeting somebody who's at one hundred to one thirty percent of the median income which you know without regard to any kind of consumer debt or minimal consumer debt, those guys could probably qualify for you know conventional mortgages, I mean, did you make that, did you examine that and maybe have a recommendation to the committee on that, with a reallocation or were you just looking at(muffled).....

(ms taitano) We've been looking, it's been(muffled conversation)....under the twentieth, the twentieth gave us our direction on this....(muffled conversation)....to allocate more units to the lower income category.

(?) ... I mean, that's what this project is meant to assist so did you have a recommendation to that or did you examine that policy.....(muffled conversation)

(senator blaz)or did you even consider it?

(?)(muffled conversation)..... is to the appropriateness of kind of lumping this bill you know normally as on the one hand, we're authorizing issuance of up to sixty three million dollars and then in the same bill going back to make some substantial significant amendments to Public Law Twenty dash Two Two Five maybe the two issues really need to be free and separate.

(senator blaz) And this is why we wanted to hold all these series of hearings on this issue and this discussion brings up all these concerns...Senator Pangelinan did have a good point in terms of whether or not Guam Housing did take that into consideration.....

(ms taitano) Yes, for the Category Two, we are basing it on the hundred percent. If we look at the financial institutions' requirement to follow Freddie Mac's requirement, they do have a fixed of twenty eight percent of their income just for their housing loan to their income ratio so you know that even if the lower income have a greater ? ____ on, have no debt, they're still confined to twenty eight percent so with the Category Two you're going to find that the two hundred, you're going to have a lot that would be able to purchase more of the units within that category because of the twenty eight percent of their income being higher.....(muffled conversation).....no, for Category Two there's two hundred units there, I think it's fifty, right, fifty percent, this is fifty percent of the units are allocated to Category Two and that's two hundred units. For Category One, we have a hundred and twenty and we have, I believe, thirty percent of the units are allocated for that which would be one hundred and twenty. And then, we have for Category Three we have eighty units for the hundred thirty to the hundred fifty so we are finding that most will fall in the Category Two, they will have the buying power, the repayment ability for the amount that we are looking at selling these homes.(muffled conversation)....

(?)(muffled conversation)... we realize that but I mean shouldn't they be reversed since this is meant to assist the low to moderate income, shouldn't we reverse those two categories and provide and allocate because it's easier to qualify this year and those who carry ? _____ a hundred percent of the median income may not be able to qualify for more than the conventional mortgages where you may have more applicants under Category Two given the Freddie Mac requirements and income like I said with a smaller consumer debt would probably be able to qualify more easily in conventional mortgage loans since, so why take this, the inventory of housing that's developed for low income why allocate a bigger portion to those that could qualify for conventional mortgages with our own financial institutions and so, I was just asking if you've reexamined, you know, given your applicant profile and so forth. If you've reexamined those allocations and perhaps had recommendation on reallocating those to assist more of the low, lower end of the scale rather than a larger portion for those that could conceivably qualify for conventional mortgages. So, I was just asking if you could look at that and maybe make a recommendation to the committee and the Legislature to reexamine that profile given the changes that occurred in the economy and the interest rate structures, you know....

(?) Senator, Category Three is the higher income.

(?) I know that. Yes, I know that.

(senator blaz) Senator Salas?

(senator salas) Thank you Mr. Chairman. you know my question is not to Kathy it's more directed to Mr. Sablan because at yesterday's public hearing the committee raised some serious questions from Guam Housing Corporation about the mission of the Guam Housing Corporation and the response is consistent with the witness's statement that she's submitted today which is that your purpose is to serve the low to moderate income families. Now, since when is the low to moderate income family in the Category One level of ninety to one hundred and fifteen thousand dollars.

(mr. sablan) Senator, that was approved by the Legislature but I think the purpose for it

(senator salas)oh no, Mr. Sablan I understand what is approved by the Legislature and I can also agree that the Legislature isn't entirely correct. But the point is that you're back in here for another piece of legislation, we're just simply following along. How can your mission be to serve the low and moderate income families and to even come in and propose that we're dealing with levels like this, I heard Mr. Untalan talk about the mortgage package and it was based on a hundred thousand dollar sale now that, his problem is not so much meeting the mandate his problem is finding the financing packages, he's got that. He showed at the bottom line that with the revenue bond it's going to be eight hundred dollars a month without the revenue bond it's going to be about a thousand dollars a month, I think, again, why even have a program through Guam Housing if the majority of people can't participate in the program that was supposedly built for their benefit? I cannot, to this day, still afford to pay a thousand dollars a month mortgage. And I'm far from being uneducated, I'm far from being minimal in any regard, but I still can't afford a home and I'm lucky I've got a home. My concern is what about that, those seven thousand people that we've got emerging into the housing market, not just Chamorro Land Trust, we've got people who don't have the income level, we have people who don't have the land, the government gives them the land but it still puts everything out of reach for them. You know, I question Guam Housing Corporation's motivations on this because are you serving that target population, are you meeting your charter? That's a simple question.

(mr. sablan) Senator, yes, we are as a matter of fact this financing program is targeted only to the low and moderate income families. It cannot assist families who are over a hundred and fifty percent of median income. Again, it's focused on a gapped group of families. On the Lada Estates, again, that was approved in the Twentieth Guam Legislature and basically I think my understanding is to have a good mixture of community and have a good strong community rather than a community strictly of low income families.

(senator salas) But the numbers that I'm hearing and seeing, Mr. Sablan are all numbers that while we can assort, we can get an assortment and a mix in the community if the mix and the assortment is at the upper level we have still excluded the majority of people who would actually benefit from the program. And the question that I've got is what the hell is the government here for? Is it simply to hand out things? I don't think so. And that was the question we addressed yesterday but we have to ask what is the government doing to help the people here who can't afford a house? We have put prices so far out of reach for these people that any program that we adopt will end up like many other programs that we can't use it. This project has been hanging fire for three years? What are we going to do, are we going to continue holding fire? You know, it really disturbs me because we once again continue to allow government to progress beyond the reaches of the people that it's here to serve. I don't advocate that we get more government involved in it, but I certainly would expect that a responsible agency such as the Guam Housing Corporation I already see GEDA's meeting it's mandate, I can accept that but Guam Housing Corporation has got to serve those low to moderate income level people and to provide them with the ability to get a roof over their heads. Getting an eight hundred dollar mortgage or getting a home valued at nine hundred, no, ninety thousand dollars is not exactly within reach unless you've got a hell of a long hand. You see my point?

(mr. sablan) Yes I do.

(senator salas) So, what are we doing more than just going through an exercise, Mr. Sablan? That's that.

(mr. sablan) Well, I did ask that the government of Guam does fund the offsite infrastructure, that will keep the cost down and again the situation that you mentioned yesterday as to why is government of Guam giving Guam Housing the money when it should go to Guam Memorial Hospital and again the idea is to provide the funding at a very low interest rate to families that are low income.

(senator salas) But you were asking for the Legislature to make a commitment for sixty three million dollars worth of debt, correct?

(mr. sablan) That's correct. It's not a

(senator salas) It's not a, it's a paper debt for the government it's going to be held against us. It will be an obligation that if it is not, if it defaults for some reason, the government will be liable, correct?

(mr. sablan) No, it's not. No the government of Guam is not liable for this obligation, this is not an obligation for government of Guam.

(senator salas) So, we've found somebody who'll give us money for free?

(ms taitano) No, no.

(senator salas) Well, who's responsible for the bid?

(mr. sablan) The person responsible for the debt would be the len., the mortgagor.

(senator salas) So, Guam Housing is responsible for sixty three million dollars?

(mr. sablan) No, the person to pay back the debt would be the people borrowing the money.

(senator salas) Well, we don't have seven hundred people ready to buy homes at those prices somebody's got to put the money up? Is it the government that's going to put the money up?

(senator blaz) This is not what the program is all about, Senator Salas.

(senator salas) Yes, oh, I understand, Mr. Chairman, I understand, Mr. Chairman but I'm again asking and it even makes my question even more pointed that we are once again using public funds in some way or making a public effort and I have to ask what is the benefit that the citizen is going to get?

(mr. untalan) The, if I can, senator? That's one of the things we try to do in the slide with the benefits of the issuance we, why we bought in private mortgage insurance was not just to address the low to moderate income under this program we wanted to bring it in to provide affordable financing permanently. We are using this program as a pilot so that's one of the benefits number two we are, although it's not linked none of the bond funds would be linked to the construction side, it provides a supply of homes that gives comfort to the

(senator salas) And who do you think is going to buy the homes? Mr. Untalan?

(mr. untalan) The eight hundred people who are waiting in line at Guam Housing.

(senator salas) And who are those people, Mr. Sablan?

(mr. sablan) These are primarily, the low to moderate income families that we're trying.....

(senator salas) That can afford an eight hundred dollar a month mortgage?

(mr. sablan) That's correct.

(senator salas) That's my point. What about my brother and sister that can't afford an eight hundred dollar a month mortgage? But they have the same passion, they have the same desire to have a home and they feel that they have the right to have a home because they're citizens of Guam. The Guam government has failed to give them the ability to get that home.

(mr. untalan) If I can, senator, I just want to make one real quick statement. One of our next projects right after this bond issuance because we're satisfying the implementation of the Lada Law and trying to get the return of the private mortgage insurance to address those people who can't afford the eight hundred dollar mortgage we're working with our financial advisors to develop these things called rent to own types of programs where you could rent at lower rates for example like six hundred dollars a month.....

(senator salas) Sure, but Mr. Untalan, you and I have both been in retailing, you in banking me in products. You addressed the market right? Obviously, somebody in their projection saw that the market was the upper level so we're going to respond to them. Who do we forget, those people who couldn't afford in the first place.

(mr. untalan) In fact, sir, the housing study did identify the gap group that you're referring to.

(senator salas) Sure, you referred to, to an update of ninety three but you, didn't you do it because you didn't have any money? I've been using those figures for the last six months because we lacked money in an agency, we're going to forsake the citizens of this island again? Or we're going to use old information, you see, I, it just boggles my mind that we have all this government and the only thing I'm seeing is that thank God we're getting the government we paid for. Because we don't seem to be addressing the people that need it. It gets very upsetting, when I keep hearing this, I hear this over and over at oversight hearings. Why are we addressing an identified market when we have forgotten about those who actually needed the services who actually needed the products who actually needed the assistance?

(mr. untalan) Sir, if one of the ways, I mean, and I know the gap group that you're talking about, because what we did was we took the renter profile of about nine thousand people that responded to the study and we worked backwards to determine their affordability, their affordability within including their debt ranges anywhere between forty to a hundred seventeen, a hundred and twenty thousand dollars. So, and that's with, including their debt, so what we're trying to do was, with the land at such the low market prices, we're hoping to construct homes that they can possibly afford now if you want to reduce it even further to address even, to make it even more affordable, then we look at the actual size of the home and maybe even reduce the size of the home to begin with. You know, eleven hundred, fourteen hundred square foot homes are pretty nice sized homes.

(senator salas) Absolutely.

(mr. sablan) I myself live in a twelve hundred square foot condo.

(senator salas) That's right. I'm eighteen years into a seventeen hundred square foot home...I could barely afford.

(mr. sablan) Sure, if you, you know, one of the ways we can really address it is reduce the size of the homes and make it more affordable.

(senator salas) So, so, what are we doing then, Mr. Sablan, are we still talking about a fourteen hundred square foot home, are we still talking about a ninety thousand dollar bottom line figure that's going to require a ninety to a hundred and fifteen thousand dollar income in order to afford those homes? Because that is what we've defined now as Category One. But we find that while that may be required then maybe you're going to have to have a certain percentage in there, we all of a sudden find out that there are not people there because not everybody can afford to be at that level. I just question the numbers.

(mr. sablan) OK.

(senator salas) Thank you, Mr. Chairman.

(senator blaz) Yes, I'd like to in terms of the eight hundred applicants that you do have, you had pointed out that these are eight hundred families primarily of Chamorro and Filipino descent, predominantly northern and central area residents and more than one half are Category One applicants. Are these eight hundred or so applicants, either Kathy or Mary maybe can answer this question, these are actually people who desire to own a home, who probably could not qualify or would not qualify under a conventional home system but basically based upon their income, based upon, you know, based upon the information that you've had with respect to these applicants, they probably could be able to qualify for an eight hundred and nine hundred dollar a month home. Otherwise, if they couldn't, would they not go to the Chamorro Land Trust if they're Chamorro, would they not go to GHURA and apply for Section Eight housing, would they not, this is a program that will basically help these kinds of people who are, who would be able to afford that and would not who otherwise would not be able to secure funding or financing in a conventional bank, is that not true?

(mr. sablan) That's correct, senator.

(senator blaz) Alright, then say so. You guys, are, you know....

(ms. taitano) For the eight hundred that we have prequalified, we're finding that most of them are within the Category One and Two we don't have a lot of the Category Three to even need that eighty units. The way the law reads is that if there are more in Category One and there's not enough in Category Three, they can take back, it's not confined only for that income so we can accommodate more and we're finding from the eight hundred that we have preregistered or have applied for this, they are within the Category One and Two as much as we would like to help those in the Category One there's just some with very limited income, I mean, you know if you have, they just don't meet the

(senator blaz)but who would otherwise qualify for other programs such as Section Eight that, you know, and other programs that provide for housing for people who are indigent or who otherwise cannot afford it.

(ms taitano) Yes, we have other programs where we have used supplemental funding from GHURA for example, we're trying to get the down payment and assistance where they can't afford another loan but we have identified other programs they can supplement by either getting a loan from Guam Housing or Farmer's Home they can supplement that with this down payment assistance program.

(senator blaz) And these are first time homeowners basically under this so called gap group that you all have made reference to in some your presentations and these people are basically people who desire a probably so called dream home but otherwise could not afford it under any other type of scenario, I mean, are there any scenario that would be available to most of use who could afford to go to a banking or financial institution and afford to, and basically qualify to buy a home, is that correct? Thank you. Dr. Kasperbauer.

(dr. kasperbauer) I'll be brief. The survey was done for the prequalifications was done, how long ago on the prequalifications?

(ms taitano) We continue to call these applicants in for updates so that we insure that they still have that capability to repay the loans that we're looking at so they have been called as recent as even, it continues, it continues to go on, so it's an ongoing....once we know the information has become stale dated we go ahead and call them in, we see, we have them come in, update for their income as well as they're financial obligations. So, that continues.....

(dr. kasperbauer) So, part of your updating then is cross checking this with the Chamorro Land Trust people who have now been given land through the Guam Land Trust if they no longer would qualify then as I see non property owners in the last three years?

(ms taitano) That we have not in terms of, when they come in, they will still have to disclose whether they own and we weed them out as.....

(dr. kasperbauer) ...no, I'm wondering if the eight hundred is really valid in view of the Guam Land Trust now giving out land to people they no longer would qualify or would they still qualify?

(ms taitano).....I don't know....

(dr. kasperbauer) No, they won't qualify, right, so I'm just suggesting that maybe the eight hundred is no longer a valid number because of the, how many lots given out already, a thousand lots?

(ms taitano) Well, at the time they come in for their update they will disclose again if they have been a recipient from the Chamorro Land Trust or have they inherited property, those again because of the restrictions we would have to verify it.

(?) I think what he's trying to say is that we have to go back again and review that because we just gave away you know, land and in case maybe some of your applicants of that eight hundred and sixty five have property now in their possession to give the Chamorro Land Trust back therefore your numbers are understated, that to me is you know.....

(dr. kasperbauer)yes, that's what I was leading up to is that we're talking about asking for sixty three million dollars for something based on the assumption that there's a tremendous need of available applicants out there but this may have been drastically impacted now by giving away a thousand lots, you may have lost all eight hundred and we may not have the market there. Oh, also,I'm sorry....

(ms taitano) ...Senator? My office, I'm from the planning division at Guam Housing and we everyday for the last three years I take phone calls from people and they've, they continually ask, the updates on the eight hundred people, they're always asking how the project's doing and they want to know when it's going to get started but aside from them, we still get, we still feel quite a few calls from people who did not make it through that preapplication process

that are still interested in applying for Lada as an applicant. We do have a mechanism in place come, you know, a selection process to weed out all the land trust people and we can always go back and check out the eight hundred and see again how they've, how they're, how they're, how we fare after the land trust disposition and all of that.

(dr. kasperbauer)(muffled conversation) what we're trying to say here is nowto go back and just weed out all those individuals right now. Just a quick check to see what impact it had because the eight hundred unless they're sitting with their hands folded waiting year after year for this to come along, I would think many would go on with their lives and say you know, forget this, we've, the children are growing up we won't need the three, four bedroom anymore and so just to, I'm a little concerned whether the eight hundred is that solid or not.

(ms. taitano) The eight hundred is just those that have preregistered just to give us an idea of whether we do in fact have the demand for the project but when we do open it's going to be opened, it's going to be opened again for more to even apply for, that would meet the provisions of this, of the law.

(dr. kasperbauer) OK, on the demographic profile of those families, since you did the survey and you know something about them, what, you indicate their ethnic background, Chamorro, Filipino and so on, what about the, on the three and four bedroom, so you're expecting more than just a couple living in the house. So, what kind of age structure are you looking at for these typical, or what, you have eight hundred families, so what, you know, how many are in elementary school, how many are, have elementary school, no, what is the number of elementary school children, middle and high school?

(ms taitano) They're all families, the legislation that the original, initial legislation required that they are all family applicants.

(dr. kasperbauer) Right, so I guess, we've talked about infrastructure and often we've kind of reserved that only for waters, power and those things, what about schools, Wettengel is already overcrowded, Harmon is overcrowded, is there a, plans, coordinated in here for another bond for another elementary school or middle school, high school?

(ms taitano) In fact, senator, we've, we spoke to, we've spoken to Department of Education and because the students, because the children are all come, the applicants come from predominantly central and northern Dededo, central and northern Guam and the project's in Dededo, what our discussions with, with DOE at the time yielded was we weren't so much adding new residents or new students to their districts or, I'm not sure what they're called but they were shifting them around.

(dr. kasperbauer) Excuse me, that's an assumption so we don't know really where they're going to school right now, do we? We're just assuming that if they're in the central or if they're in the north that they're going to, you know, it's a problem we have all the time. These projects get put in and there's no plans for school and then the Board of Education and others get accused of not planning for schools and that's a tragedy, I just, I think it's only fair that we look at the, where those, since you have the eight hundred families, how many have elementary school children, how many have middle, and you know, and where are they going to school now because we're in the central or northern

TAPE 2

.....really hard data that's necessary. The other question, Mr. Chairman, that I have is on Section 5, I'm wondering if anyone would comment, why are we even amending Section 5 at all? It says for any and any of it's corporate purposes, in Section (m), to borrow funds, I can see the way the law and this goes back to Senator Ada, I think I tend to agree with him maybe we have two things here one is borrowing money and the other is amending an existing law, enabling legislation, you know, to, in Section (m) to borrow funds for any of it's corporate purposes, it looks like what was there would've handled this particular bond request.

(?) Senator, I'd like to address that another senator has questioned me on that and that's a legal issue that needs to be addressed by the bond counsel and perhaps when the, when we go in to the committee as a whole, that we address that. It might be a legal issue on the ?__ bond...

(senator blaz) you know it will be on the next hearing when you have your bond counsel and all that sometime within the next couple of weeks you'll be able to answer that.

(?)yes, we'll address that.

(senator blaz) OK, thank you, Senator Kasperbauer, Senator Cruz?

(senator cruz) I'd like to just further Dr. Salas' and ?__ comment, see, in medicine you would say that you've given medication to the ones that are kind of healthy and kind of withholding the medications from the ones that are really ill. And I see this that, I calculated some things here, it's really the people that can afford only four hundred dollars a month that should move in here. And I see that that's the market we should mark, earmark this whole project and you know, there's a lot of things here, you know, Section Eight, you don't own the property nor the home. You're just given a roof over your head and so it's to me that is a kind of a temporary measure, which is an important measure. What we're looking down is a long term investment, for families in this group and the only way to get these people out of this area is to move them into a place that they can call their home. And I tell you also if you look at the statistics on the ones that are under Section Eight are the ones really are single family with three to four children you know, and if you look at that area I mean you've got to give some consideration to set your priorities right. That's point number one that I want to support Dr. Salas, the other issue is here, this is a beautiful project and I tend to agree with it but I always have a but on every project unfortunately. You know that the market today for the house, there's a repossession, maybe every day in the paper so we're losing homes like maybe, let's say, that every other day, there's a repossession, there is nothing in our agency nor our government to stop that leak. What we're looking at is fifteen homes a month that are repossessed for some reason or other, catastrophic illness among the families, unemployment because here on the ... is what you call limited term hiring of the Government of Guam or the politics got in so you're out, the wrong political machinery are in so you're out. These are people that own homes now that will be homeless in a matter of time because of some change in their financial status now that's why your list is getting bigger and that's why your list will get bigger until we plug that hole. If we, as a government, want to do something why are we always looking one way, we never look at the real problem. All we do is band aid and I do that a lot I you know suture lacerations and I never ask them how they really get cut, I just suture it up. But that's not the way we should operate we ?__ ask a little bit more so what I'm looking at here Mr. Chairman is that the people, the families that we are absolutely ignoring is the families that will build this list on a needs basis because what we do here is we don't look at the families that lose their homes for some reason or other we just look at the families that are already in the homeless side and why do we never support the people that have homes, to maintain their homes is beyond me. So what we need to do is expand your programs Mr. Untalan expand your programs or you've got a bigger goal than what you see here and you've got a bigger problem than what we have here and I think that's the point that we're going to get and that's the message that I'd like to put across. Thank you Mr. Chairman.

(senator blaz) Thank you very much, Senator Cruz. OK?

(?) OK for the mortgage revenue bond it's not only, we wanted to demonstrate that there is the supply of affordable homes that will meet the Category One, Two and Three but it's also the proceeds can also be used to finance a completed home let's say the bank goes ahead and do the interim financing but if they own land and they go through the bank for the interim financing, construction financing, then the mortgage revenue bond proceeds can be used to take the permanent financing so they own the land. And they are within a very low income and they can, their needs are only fifty thousand for that matter to meet what they can show repayment for. Yes, this, the mortgage revenue bond proceeds can be used and there other programs that will supplement that.

(senator cruz) Thank you. How many times has this organization Mr. Sablan, your organization jumped in to salvage a home that's going to be lost because of one reason or another?

(mr. sablan) Senator, we're very proud of our record of foreclosure, it's the, out of two thousand I think that we do have, for the past thirty years I think we've only foreclosed only eight to ten homes and primarily because of, they either, the homes are abandoned.

(senator cruz) No, I'm not talking about what you have, I'm talking about what you don't have?

(mr. sablan) The programs that we don't have?

(senator cruz) No, no, no.

(mr. sablan) We do have a ...

(senator cruz) I'm talking about the ones that are owned by, or mortgaged by Bank of Guam, First Hawaiian Bank, Bank of Hawaii, how many times do you jump in to salvage a family from losing their homes?

(mr. sablan) Which one? Oh, no, if the family, you know, there's a criteria that you need to go through, if a, if the family has been rejected and submitted an application with Guam Housing and are rejected by the banks we, we're there to assist those families and if the, their bank's loan is default and they come over to Guam Housing, if they have the income and if they, they meet the three bank rejections I think we should be there to assist them if they have the income. But basically because they're in, they're in default primarily because they don't like the income.

(senator cruz) I understand. All I'm saying is that you're adding to your list but not taking care of looking at this issue and if it's not in your scope, maybe it should be.

(mr. sablan) Yes, we do have a program, Senator, that's called Home Counseling program and that's to assist families that are having difficulty meeting their monthly obligations.

(senator blaz) Thank you very much, Mr. Sablan. One of the other points that, that obviously, a program such as this could do, and even though I, you know, I really believe that there's a lot of problems with this legislation as it is currently written and certainly we need to, there's a lot of questions that have remained unanswered and we need to do whatever we can to get those questions answered for the benefit of everyone here. But basically a program like this and is something that would be, would enable young, and homeowner types, young families starting out, people who are, who have one or two children maybe three or four, you know, who want to realize their dream of having a home and obviously can't do it under regular circumstances, you know, by going to a bank under conventional circumstances,

going to a conventional institution and getting loans. What we want to do is have Bill 149 be able to achieve a dream for all of these, these types of people and that's, and obviously, you know, when you're talking about fifty thousand dollar homes, you know that, where people can afford a four hundred dollar mortgage, well, what can of a home is that? Basically, maybe just a container with one little window and you know, the reality is we want to help families who are desperate to own a home, who do not want to go to Section Eight, who want to pay nine hundred dollars a month, who want to be able to achieve a dream for themselves and their children and have the pride of ownership. But, you know, Bill 149 if that's your intent, then we ought to clean it up. Lou?

(?) I certainly support the concept here and I do have some questions about the bill itself I'm not going to debate the issue about low income and all that I think that's been done. Jim, on page, sorry, page seven on section ten of subsection four two one four, it's, this provision allows the foreclosure protection fund to be used other than foreclosure and I was wondering why that that was added on here because I think this is a very important fund that you should just keep for those purposes and then my other question is how much do we have in this fund and how do we replenish the fund?

(mr. sablan) Alright, initially the Legislature appropriated the, I think, a million dollars for this foreclosure protection fund. Five Hundred Thousand? Five Hundred Thousand for the CAHAT to secure the mortgages in case it goes into default. The reason why we need to tap into this fund is because we, we're right now using our operations fund to provide mortgages and this is a fund that we can identify to pay for the cost of the issuance and then, we get reimbursement like Senator Pangelinan had mentioned earlier that any income that we can generate from the bond will go back into the foreclosure protection fund to safeguard this program.

(senator l. guerrero) So, so when you use this as a for pledging, for security and you get the monies back, you would put those monies back in here again.

(mr. sablan) That's correct, I fully support Senator Pangelinan's recommendation on that, that regard.

(senator l. guerrero) And then, again, what exactly is this, the purpose of this fund, it's to reserve for foreclosures right?

(?) This is, in relation to our CAHAT where we give a non, no-interest down payment assistance and we take a second position we are the second mortgagee in the event they default in their first mortgage and we would protect, we will go ahead and if we would bid for the first mortgage and pay them off we will take back, sell it another eligible applicant, recover that and it goes back into the foreclosure protection fund but that's if, it's in relation to the, our CAHAT program where we hold a second mortgage and to protect our second mortgage, our interests, we can then bid should, you know, nobody else bid successfully and assume our second position our second mortgage that's where we would have to come in and protect our interests as a second mortgagee.

(senator l. guerrero) So, to date you have five hundred thousand?

(?) Still have, we have no need, this is, like I said in relation to our CAHAT and we have not had anywhere

(senator l. guerrero)had to use it.

(?) Right.

(senator l. guerrero) And Jim, in this bill also it says that the bonds will be pledged from the revenues that is produced from the mortgage payments and also other securities and other properties of Guam Housing Corporation. What is your total asset then?

(mr. sablan) The total portfolio we have is approximately thirty eight million but we're not going to pledge the entire ...

(senator l. guerrero) OK.

(mr. sablan) ...we're only going to pledge the million dollars that they're asking for the cost of issuance so the five hundred thousand is what we're recommending that we pledge and also maybe a five hundred thousand dollars of portfolio totaling a total of

(senator l. guerrero) So, maybe we should put something in the bill that would say pledge only the amount that you need because I was very concerned about all other properties.

(mr. sablan) Yes, right

(senator blaz) Right and you know for the next round table hearing that we have you might want to make sure thatSenator Pangelinan?

(senator pangelinan) I thought that was going to get changed because when we had the hearing last year you know that was I guess a concern and I guess we got the same bill back.

(senator blaz) So we need to take all of these considerations, all of these recommendations and make sure that the bill is amended I mean I think we got a lot of ideas from a lot of the senators, there's Senator Salas, Senator Cruz, ...

(senator l. guerrero) I just have one more Mr. Chair and I know I'm a guest of your committee but

(senator blaz)(muffled conversation)can participate fully.

(senator l. guerrero) On page ten where it talks about the indentures being presented to the Legislature and approved and then it talks about changes or modifications to the indentures does not need to come to the Legislature that it will only be approved by the Governor, Guam Housing and the GEDA, I'm not too comfortable with that and if a provision was placed that changes would have to come to the Legislature what would that mean in terms of effectuating those changes that are needed?

(?) No, it's just kind of like the incinerator contract again....

(senator blaz) ..just delete, that old section.

(mr. sablan) I think we can...

(senator blaz) ..delete it. Yes. (muffled conversation) OK. That's another recommendation for deletion so the committee recommends a strong

(senator l. guerrero) Is it OK with you guys?

(mr. sablan) I'd like to check with the bond counsel again and then get back to you and

(senator blaz)let's just come up with a well, bond counsel will be here at the next ?_____.

(senator l. guerrero) So, I'll put possible deletion?

(senator blaz) No.

(?) Possibly.

(senator l. guerrero) Or possible addition of legislative approval? OK.

(?) Also.....is this on? Am I on?

(senator blaz) Please turn it on.

(senator l. guerrero) Thank you Mr. Chair.

(?) this is one of those mics that require again to be shouted at. Again section two you know if we can just there's something there too that says and shall be subject to the general direction of the Governor of Guam, you know what is the purpose of the Board of the Guam Housing Corporation and you might as well just eliminate the board and just ask the Governor. I think it's pretty much understood and I don't think that amendment is really necessary as far as section two where it says shall be deemed to be ? _____ government functions and shall be subject to the general direction of the Governor of Guam so you know I don't think that section is necessary and I think the board sets direction and policy for the agency and in that sense it almost eliminates the responsibility of, the responsibility of the board so I think that section should also be looked at to be deleted. Thank you.

(senator l. guerrero) Just one more from me. Jim, also on page, actually Ben asked, Ben asked all my questions. On page eight in the definition of single family homes, I was wondering why cooperative unit or two, three and four family dwellings is included. I'm defining that as apartment buildings.

(?) No, cooperative building, I think is similar to a condominium.

(senator l. guerrero) But you already have condominium unit in here.

(senator blaz) (spoken in vernacular) "Never mind, just delete cooperative unit". So never mind, just take it out ..(muffled conversation).

(senator l. guerrero) OK, so that's a definite deletion? OK. Thank you Mr. Chair.

(senator pangelinan) That's a definite deletion.

(senator blaz) OK, thank you very much I'd like to thank you all Mr. Sablan, Mr. Cruz, Ms. Guerrero and Mr. Untalan for coming today, we will have a second part to all of this when you have the bond counsel and the insurance people and all these other people here in a round table discussion that we will have probably within the next two weeks. And you have to, we'll coordinate that with you. I'd like to ask Mr. Tony Artero to please go ahead and submit his

testimony....yes?...(muffled conversation)....well, see, one of the things I want to make certain of is that before we that we will have a lot of the questions that need to be answered answered before we even go in there because I don't know that we want to even report Bill 149, I mean, we're being presumptuous in whether or not Bill 149 will actually go on the floor I'd much prefer to have a real working session with all the members and everybody else OK.? ..(muffled conversation)you're practically a member Senator Pangelinan and Senator Leon Guerrero....(muffled conversation).
Mr. Artero.

(mr. artero) Thank you Honorable Chairman Anthony Blaz and honorable members of your Committee on Finance and Taxation. I am Tony Artero, a long time taxpayer and resident of Guam. I've been licensed in real estate business on Guam since 1977. I opened up Artero Realty in 1985 and I am here as a concerned citizen. I'd like to, before I go into my prepared text, I'd like to respond to some of my, what I have heard deliberated earlier. But also comment on the fact that we have been practicing this and it's been the status quo, most of the time public hearings are conducted with government officials talking to government officials, it's always been government, government. It's very difficult for a private individual like myself to abandon his livelihood to come down and offer input to the government when the government is asking for input from the public. I can honestly say that I think I'm the only one here that is not getting paid to be here, everybody else is or still on the payroll on pay, paycheck coming at the end of the day. Having said that, I'd like to say that I am kind of not altogether prepared to put this in a nice flow but I'll try to give it my best. And then I'll go into my text and my prepared statement has an attachment of which the attachment is a claim of interest that I and my wife have filed with the Department of Revenue and Taxation. And I hope that your committee will read all this to really get the input from a taxpayer. One that is not receiving any income from the government because I think that's what the government is all about - to serve the public. The one that starts the money coming in, I understand government employees are paying taxes but it's tax money that they are receiving to begin with, OK? Having said that I think it's important to note that the government for the most part has a lot of restriction on it's taxpaying citizens, then the government goes into business competing with it's taxpayers as what we know being presented here today. It's all a venture for the government to do business. We have had GEDA doing business for over thirty years yet look at our economic condition today. It's nothing to be proud of. In addition we have the federal rural development which used to be farmer's home loan. And of course, we have GHURA, and then we have Guam Housing Corporation yet housing affordability problem continues to reach the critical point. In addition, we have the Department of Land Management or similarly we have the Department of Land Management and together with the Chamorro Land Trust Commission all dealing with land on this very finite land mass that we have on Guam. We have a lot of redundancies is what I'm trying to say with all that. And with the government both at both levels federal and local are in financial crisis, I think we need to retool the government, not retool the economy. Let the economy free and money will come in. I'll mention an example here, in the closing of the Naval Air Station, I submitted two proposals that would have accomplished an instant revenue increasing the island's gross product right away and some if not all of the issues contained in Bill 149 being discussed today would have been all short draft but the present administration chose to lodge an allegation against me that I was, through the media, that I was in conflict of interest both the Governor and the Lt. Governor failed to realized that it's the government of Guam that issues me a real estate license. Now having said all that, if I may, I'd like to go ahead with prepared text, you've got time?

(senator blaz) Yes, Bill 149, you're here to testify on Bill 149, right?

(mr. artero) Yes, but my testimony with Bill, on Bill 149 is more in the air of taxation in general and your committee is concerned with taxation I hope. Alright?

(senator blaz) In fact, they're all..

(mr. artero) Right, I'm the problem of that too. Honorable Chairman and Honorable Members of your committee, taxation without representation is the story of my life in this lovely island paradise. My parents and grandparents who have gone before us have similarly paid taxes and we have all been denied our economic freedoms to pay more taxes to this very day by the authorities of our government at both levels. It is the action, it is action such as this that prevents the implementation of a comprehensive and holistic land use plan for sustainable development such as in housing and in harmony with the environment. The total disregard to fundamental, the total disregard to the fundamental to life, liberty and the pursuit of happiness and the blatant violations of private property rights are the reasons other public services are reaching crisis proportion. Now if we ignore the fundamentals how could we expect anything else to be better? No one is seriously doing anything to right the wrong but we generally hear plenty of hot air. Democracy in Guam in my views is in comatose. Comatose economic condition is the status quo on Guam. We are riddled with authoritarian, corrupt and antidemocratic processes. How much longer, how many more generations, how many more world wars and other wars must we fight to gain, before we gain our economic freedoms? Why is it that self reliance is virtually abolished and dependency in bad government is in? Are we waiting for an uncontrollable civil disobedience before we address the problem? The key players of our government have been notoriously immersed in conflict of interests, collusion, breaching civil liberty and governing selectively for votes. All these can be found in the use of the land on Guam. Not to mention nepotism throughout the government. The additions of the, the actions of the power brokers at both levels have been to divide and conquer the working class and that includes even government employees. Along with the runaway white collar crime, taxes, fees and even heinous crimes have all increased and murderers are running around free. New laws and regulations are self serving, counter productive and in disputably damaging. The conditions in our island community speaks for themselves simply put it is taxation without representation at it's max. let me give you a little quote here, quote, nothing is so easy as to deceive oneself for what we wish that we readily believe. This is written by a man before Christ was born, Demosthenes is a Greek orator and in my views what we've been doing on our nice island paradise through government action, the government believed that the I Tano Ta Land Use Plan is, is a plan. My views is that the so called plan is not even a plan certainly not for sustainable development in harmony with the environment instead that plan calls for more helter-skelter development. Believe it or not, the situation today island-wide offers only short term politically motivated incentives which promise quick return but only for a few and in the long run, achieve little. We are not interested in supermarket tourism, we are not interested in uncontrollable development that threatens our environment and our tropical paradise image. You want investors that are committed to the market not to the investment. Our government must concentrate it's energies on getting the fundamentals right. That is the only true way to get sustained growth. The waste disposal contract which was mentioned during your deliberation, in my views, in only to enrich certain individuals at the cost of everyone. And opening another landfill dump site is no solution either. The hospital, like all the other departments and agencies, they are merely vote generating entities. The schools, like private property rights, have become political hot potatoes. Our security and safety on our streets, in our businesses and even in our homes, virtually not available but there 's certainly wide life refuge for the brown tree snake. In closing, some things however need to be reiterated lest we forget. Looking back at where we were before World War II, Guam was self reliant. Back then, the center of concerns is the life of every human being including that of the unborn. Family size was around six or more children without governmental assistance in housing, much less food stamps, welfare and grants. Guam, before the war, was well on it's way to a sustainable human habitat development for families, businesses and the industries with little or no pollution problem to speak of. It is for that reason, we not only set ourselves and although by force nonetheless we also fed the Japanese army during World War II without a single shipment of imported food and nobody died from starvation. Sgt. Yokoi survived an additional twenty five years after the war on Guam also without governmental assistance of any kind because no government prevented him from using the land. Ladies and Gentlemen, that confirms that our social economic dilemma has everything to do with our modern day politics and again I'll repeat I have and attached to this testimony copy of a claim of interest my wife and I have filed with the Department of Revenue and Taxation on seven different properties we sustained heavy damages due to government restriction and I hope some action can be taken from your committee to resolve that so that we can actually prosper not just for the government to prosper in fact the

government should downsize as the example being given by the federal government downsizing. Now, I'd like to just express my thanks for being given the opportunity to say this and maybe one of these days we can have a real biba for the Taotao Tano. Thank you.

(senator blaz) Thank you very much and biba Guam loqui, Mr. Artero. Are there any questions for Mr. Artero? Thank you very much Mr. Artero for coming today and for expressing your views, we certainly are appreciative of them and we will see what we can do to take into consideration your concerns regarding your claim of interest. Mr. Sablan, thank you, Mr. Untalan...

(mr. sablan) Thank you Mr. Vice Speaker.

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"Market"

Sales prices:

size	Single Family Units		Condominiums	
	median	average	median	average
1 bedroom			\$ 108,000	\$ 108,000
2 bedroom	\$ 152,500	\$ 170,000	\$ 140,000	\$ 140,000
3 bedroom	\$ 280,000	\$ 203,692	\$ 160,000	\$ 196,431
4 bedroom	\$ 477,500	\$ 475,000	\$ 210,000	\$ 225,000

The median sales price in 1990 was \$ 130,500

1993: \$ 180,000

1994: \$192,000

1995: \$ 179,500

1996: \$ 149,000

The sales activity at various locations throughout the Island in 1993 include:

Dededo	\$ 127,000
Yigo	\$ 150,000
Dededo	\$ 174,400
Barrigada	\$ 178,000
Chalan Pago	\$ 185,000

1994: 25 single family home sales from a low of \$ 150,000 to a high of \$ 500,000:

1 @ 150,000,

1@ 200,000,

2 @ 375,000,

The average price of all sales was \$ 223,076

(1)

1995: 36 single family home sales from a low of \$ 100,000 to a high of \$ 565,000; These include land and structure:

**1 @ \$ 100,000 2 bdrm Dededo
1 @ \$ 145,000 2 bdrm Dededo
3 @ \$ 150,000
1 @ \$ 151,000
2 @ \$ 155,000
1 @ \$ 156,000
1 @ \$ 160,000
1 @ \$ 164,000
1 @ \$ 165,000
1 @ \$ 167,500
1 @ \$ 164,000
1 @ \$ 170,000
1 @ \$ 175,000
1 @ \$ 179,000
1 @ \$ 180,000
2 @ \$ 185,000 15 Above \$ 200,000
1 @ \$ 190,000 the average price is \$ 231,347**

When including new construction into this figure in which the land was not a factor the average cost was still a high \$ 172,000.

1996:

Through April there were 193 sales with an average sales price of \$ 155,500. The median price is \$ 149,000.

Building permits:

	Number	Total	Average
1990	558	\$ 66,877,884	\$ 119,853
1991	670	106,743,708	159,319
1992	604	59,174,205	97,970
1993	925	89,060,889	96,282
1994	739	97,527,087	131,972
1995	604	64,936,106	107,510
1996	<u>575</u>	84,611,159	<u>147,150</u>
Total	4,675	Average....	\$ 122,865

The number of building permits have shown a decline since 1993,
The average cost per unit over the past 7 years reflects \$ 122,865
or \$ 128,877 for the past 3 years, up from an average of \$ 118,000
as the average of the first four .

It should be noted the above figures DO NOT take into
consideration the cost of land which would account for such high
sales prices as noted above.

The noted decline in permits could be attributable to the increase
in the cost of construction PLUS the higher cost of land.

THE " *Market* "

The Island wide **home ownership** is made up of **16, 860 households, 46%** the balance, or; 19,798 or 54% are in the rental market, of these, not including the " very low" income class of 5,159.

Over **14,000** *could be* potential home owners.

As **Farmers Home Loan** caters to the less fortunate or those in the lower income classes this could be a source of home owners in the "very low" income class. They initiated 32 loans in 1992 and again in 1993 totaling **64 loans or \$5,200,000**, with this there are still over 5,000 in this class who currently are not owners.

1994: 76 loans processed, \$ 8,429,190

1995: 22 loans processed, \$ 2,795,900

(Farmers Home Loan has 1,093 applicants or \$ 38,000,000 (prior to ,94))

It is quite obvious home ownership is not for everyone but Guam supports 46% home ownership while the National average is about 64%

Housing Conditions

As of one survey, Duenas and Associates:

22% (7,997 households) are paying excessive costs, in excess of 40% of income

12% (4,323) have houses that are **physically inadequate**, 54% of these are renters.

14% (5,123) are in households that are **over crowded**.

28% (10,246) of all families with 7+ members live in **inadequate housing**, the percentage is even higher involving households with 3 to 4 members.

"Housing Activity"

Home construction:

700 units were built annually during the 80's,

2,757 units or an average of 689 units were built annually during

the years 1990 through 1993,

1994: 739 units

1995: 604 units

1996: 575 units

686 units are anticipated to be required annually through 1997 and

1998 plus the Astumbo, Dededo Sub-division, As-lucas and

Asan sub-divisions an area covering approximately 1,000 building

lots not to mention the 5500 applicants of the Chamorru Land

Trust.

The number of homes needed by income group:

Low	267
Moderate	840
High	427
Very High	1,849

Population:

Number of households:

1990	31,418
1993	36,658
1994	36,715
1995	37,302
1998	42,104 (projected at 3% per year)

Household Income:

Average income in 1985 \$ 22,265

Average income in 1989 \$ 32,085

Average income in 1993 \$ 49,650

Average income in 1994 \$ 53,400

Expected to continue to grow moderately at 7.5% annually

Income groups by household:

Very low	20% of households	less than 50% of median income
Low	19% of households	50% to 80% of median income
Moderate	23% of households	80% to 120% of median income
High	12% of households	120% to 150% of median income
Very High	27% of households	150% and higher

Affordability:

by income group:

Low at: 80% of Median equates to an annual income of \$ 39,700,

Moderate at 90% of Median equates to an annual income of \$ 44,700

Moderate at 100% of Median equates to an annual income of \$ 49,650

Moderate at 110% of Median equates to an annual income of \$ 54,600

Moderate at 120% of Median equates to an annual income of \$ 59,600

High at 130% of Median equates to an annual income of \$ 64,550

High at 140 % of Median equates to an annual income of \$ 69,500

High at 150 % of Median equates to an annual income of \$ 74,500

As of this publication the affordability gap is at approximately \$ 28,000,000 and at the projected rates it will grow to a maximum of \$ 98,000,000 or \$ 8,000 per household.

Affordability defined:

based on Median rather than Average income levels

Income group 50% and below Median (14,000 households) with income of \$ 17,200 could purchase a \$ **45,000 house** with a payment of \$ 471,

Income group at 80 % to Median (8,400 households) with income of \$ 27,300 could purchase a \$ **75,000** with a payment of \$ 743,

Income group at Median to 120% with income at \$ 34,200 could purchase a \$ **95,000** house with a monthly payment of \$ 935,

Income group at 120% to 150% of Median (2,000 households) with an income \$ 41,040 could purchase a house at \$ **115,000** with a payment of \$ 1,127,

Income group at 150% + of Median with an income of \$ 51,300 could purchase a house at \$ **142,500** with a payment of \$ 1,390.

Employment

Report:

June '96 (DOL)

"Employment Highlights

Employment in the private sector showed a moderate but significant growth over the latest one year period on Guam. From June 1995 to June 1996 it increased by 1,730 jobs, a 3.8 percent increase. The increase is notable as it is the largest annual increase since the reductions which began in 1992 and subsequent period of relative stability. Furthermore, total employment increased during this period with private gains that more than offset the 410 Federal Government job cuts during the year.

While construction continued to experience reductions, 470 over the year, significant gains were realized in tourism related industries including Public Utilities and Transportation (670), Retail Trade (400) and Services (930).

Government of Guam employment was virtually unchanged over the last year. The usual seasonal June reduction in the Government of Guam job count did not occur this year. This was due to the summer youth jobs program which began earlier than usual and being included in the June job count and a smaller than usual seasonal reduction in educational personnel receiving pay during the summer months."

Sources of Information:

Housing Survey of 1993; Duenas and Associates

Guam Economic Development Authority

Multiple Listing Service

Department of Land Management

Public Works Department

Department of Housing and Urban Development

Department of Labor


Clyde E. Beaver

JA ESTATES
Estimated Cost of Project
EXHIBIT A

Building

399 units	\$35,871,000.00	
1 unit (model house)	99,900.00	\$35,970,900.00

Infrastructure

On-site	8,000,000.00	8,000,000.00
		<u>\$43,970,900.00</u>

*Off-site (Government to provide funding as per P.L. 20-225.)	0.00	0.00
---	------	------

	TOTAL	<u>\$43,970,900.00</u>
--	--------------	------------------------

ESTIMATED PRICE
Per Unit

ATEGOR	BUILDING	NO. OF UNITS	GROSS LIVING AREA (SQ. FT.)	NO. OF BEDROOMS	NO. OF BATHROOMS	SELLING PRICE	TOTAL
I	Quadplex	60	1,080	3	2	\$99,478.30	\$5,968,698.00
		60	1,200	4	2	108,219.07	6,493,144.20
		120					
II	Quadplex	100	1,280	3	2	114,046.25	11,404,625.00
		100	1,300	4	2	115,503.05	11,550,305.00
		200					
III	Duplex	16	1,380	3	2	128,510.15	2,056,162.40
		14	1,400	4	2	130,071.00	1,820,994.00
		30					
	Detached	1	1,322	3	2	124,764.10	124,764.10
		24	1,380	3	2	128,510.15	3,084,243.60
		25	1,400	4	2	130,071.00	3,251,775.00
		50					
Total Units		400					45,754,711.30

LADA ESTATES
Estimated Cost of Project
EXHIBIT B

Building

399 units	\$35,871,000.00	
1 unit (model house)	99,900.00	\$35,970,900.00

Infrastructure

On-site	8,000,000.00	8,000,000.00
		<u>\$43,970,900.00</u>
Off-site	3,500,000.00	3,500,000.00

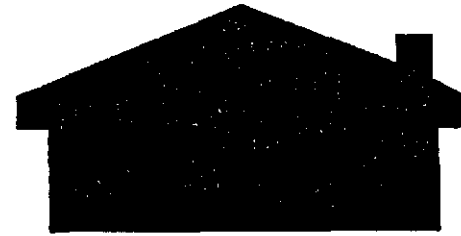
TOTAL	<u>\$47,470,900.00</u>
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ESTIMATED PRICE
Per Unit

CATEGORY	BUILDING	NO. OF UNITS	GROSS LIVING AREA (SQ. FT.)	NO. OF BEDROOMS	NO. OF BATHROOMS	SELLING PRICE	TOTAL
I	Quadplex	60	1,080	3	2	\$108,583.27	\$6,514,996.20
		60	1,200	4	2	117,324.04	7,039,442.40
		120					
II	Quadplex	100	1,280	3	2	123,151.22	12,315,122.00
		100	1,300	4	2	124,608.02	12,460,802.00
		200					
III	Duplex	16	1,380	3	2	137,615.12	2,201,841.92
		14	1,400	4	2	139,175.97	1,948,463.58
		30					
	Detached *	1	1,322	3	2	133,869.07	133,869.07
		24	1,380	3	2	137,615.12	3,302,762.88
	25	1,400	4	2	139,175.97	3,479,399.25	
	50						
Total Units		400					49,396,699.30

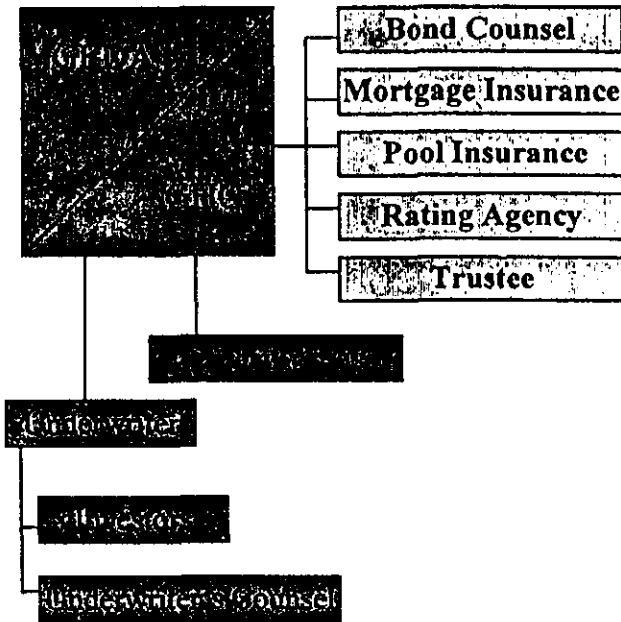
OVERVIEW

- Financing Team Members
- Guam's Housing Market
- Challenges to Home Ownership
- Guam's Home Ownership Ratio
- Barriers to Home Ownership
- MRB Target Market
- Lada Estates
- Benefits of Issuance
- Bond Issuance Process
- Estimated Monthly Payments & Closing Costs
- Estimated Cost Differential
- Cost of Issuance (Estimated)
- Cost of Issuance (Breakdown)



Mortgage Revenue Bond Issue

FINANCING TEAM MEMBERS



GEDA -Facilitates the bond issue

Guam Housing Corporation

Administers housing and insurance program

Financial Advisor - Alex. Brown, Inc

Advises GEDA on Credit, Legal and Bond structures as well as assures competitive pricing of bonds.

Underwriter - Smith Barney

Structures and Sells bond issue, accesses both retail and institutional investors to sell bonds at lowest possible rates, computes various cash flow "stress" scenarios for Rating Agencies

Bond Counsel - Orrick, Herrington & Sutcliffe

Creates Bond Documents, assures all tax and bond covenants are met.

Mortgage Insurance - CMAC

Provides Primary Mortgage Insurance for Homeowners

Mortgage Securitization - FHLMC ("AAA" Rated)

Swaps mortgages for Mortgage Backed Securities to Provide Credit Enhancement

Rating Agencies - Standard & Poors and/or Moody's

Reviews legal and financial structure of transaction and assigns a bond rating to the issue.

Trustee - To Be Determined

Manages the cashflow and flow of funds pursuant to the bond indenture.

GUAM'S HOUSING MARKET

- Based on a study completed by GHC, an estimated 9,600 island households meet the first time homebuyer eligibility requirement;
- Nearly 3,000 of these households are currently seeking to purchase a new home;
- Over 50% of these households have annual incomes between \$20,000 to \$50,000; — "GAP-Group"
- Island incomes are predicted to increase 7.5% annually through 1998; *too optimistic; more like 2% - 2.5%*
- Household growth is expected to be 3% annually through 1998;
- Housing prices will increase in line with income growth.

(Guam Housing Corporation)

CHALLENGES TO HOME OWNERSHIP

In 1994, the Urban Land Institute (ULI) conducted a study on the housing needs of Guam. ULI determined that:

- Affordability is the biggest problem facing Guam's households, with about 22% or 7,997 households paying excessive costs;
- An estimated 12% or 4,323 of Guam's households live in housing that is severely physically inadequate and 14% or 5,123 are overcrowded;
- Very low income households, particularly renters, are the most likely to have an affordability problem. 85% of such households faced housing affordability problems in 1993.

(Guam Housing Corporation)

GUAM'S HOMEOWNERSHIP RATIO

- Guam's housing tenure ratio is characterized by a minority of owner occupied units to renter occupied dwelling units.

The current national average is 65% owners to 35% renters.

Guam's housing average is 46% owners to 54% renters.

- GHC's and GEDA's goal is to increase the number of owner occupied residences which will benefit the homeowner by providing pride of ownership to families, establish equity for the future and stimulate the island's economy.

(Guam Housing Corporation)

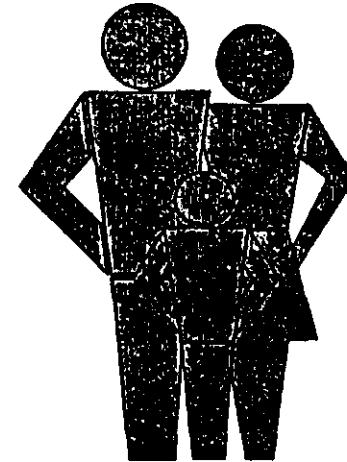
BARRIERS TO HOMEOWNERSHIP

- At present time there is not a viable supply of affordable housing on the island.
- There are 4 primary obstacles to owning a home on Guam:
 1. Land is costly and limited in availability.
 2. Construction costs are very high
 3. Conventional mortgage Interest rates result in significant monthly payments
 4. Insurance costs (when available) are very high.
- To address the acute need for quality affordable housing, GHC plans to issue \$50M in Single Family Mortgages with the assistance of local banks.

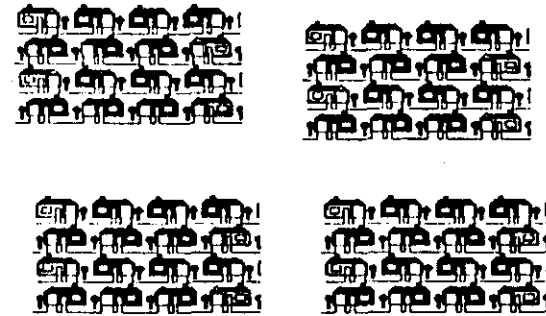
(Guam Housing Corporation)

MRB TARGET MARKET

- Low to Moderate Income
115% of area median income
(Conventional Mortgage; 30-year,
Fixed Rate)
- First Time Homebuyer
- Principal Residence of Homeowner
- Bond proceeds will be available for housing all over Guam although given the severe shortage of affordable units, the bulk of the mortgages are expected to be made to buyers of Lada Estates property



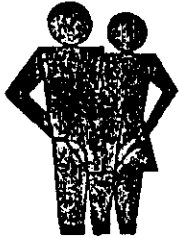
LADA ESTATES



- Turn Key Project; 4 or 5 Phases
- Lada Estates Project consists of approximately 400 homes sitting on 46.6 acres of raw land owned by GHC
- Land value is \$7.5M; construction costs is expected to be \$50M
- Construction of Lada Estates will not be funded by MRB
- Infrastructure part of development.
- Prices: Approximately \$100,000 (3 Bed; 2 Bath) or \$145,000 (4 Bed; 2 Bath)
- Homeowner will purchase both home and lot

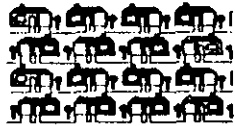
\$143,750 - Cost/unit

BENEFITS OF ISSUANCE



- Homeowner Benefits
 - Affordable Home with low interest financing
 - Lower Down Payment (5%) - reintroduce Private Mtge. Insurance
 - Lower Monthly Payments
 - Pride in Homeownership
 -

3/6 FHA



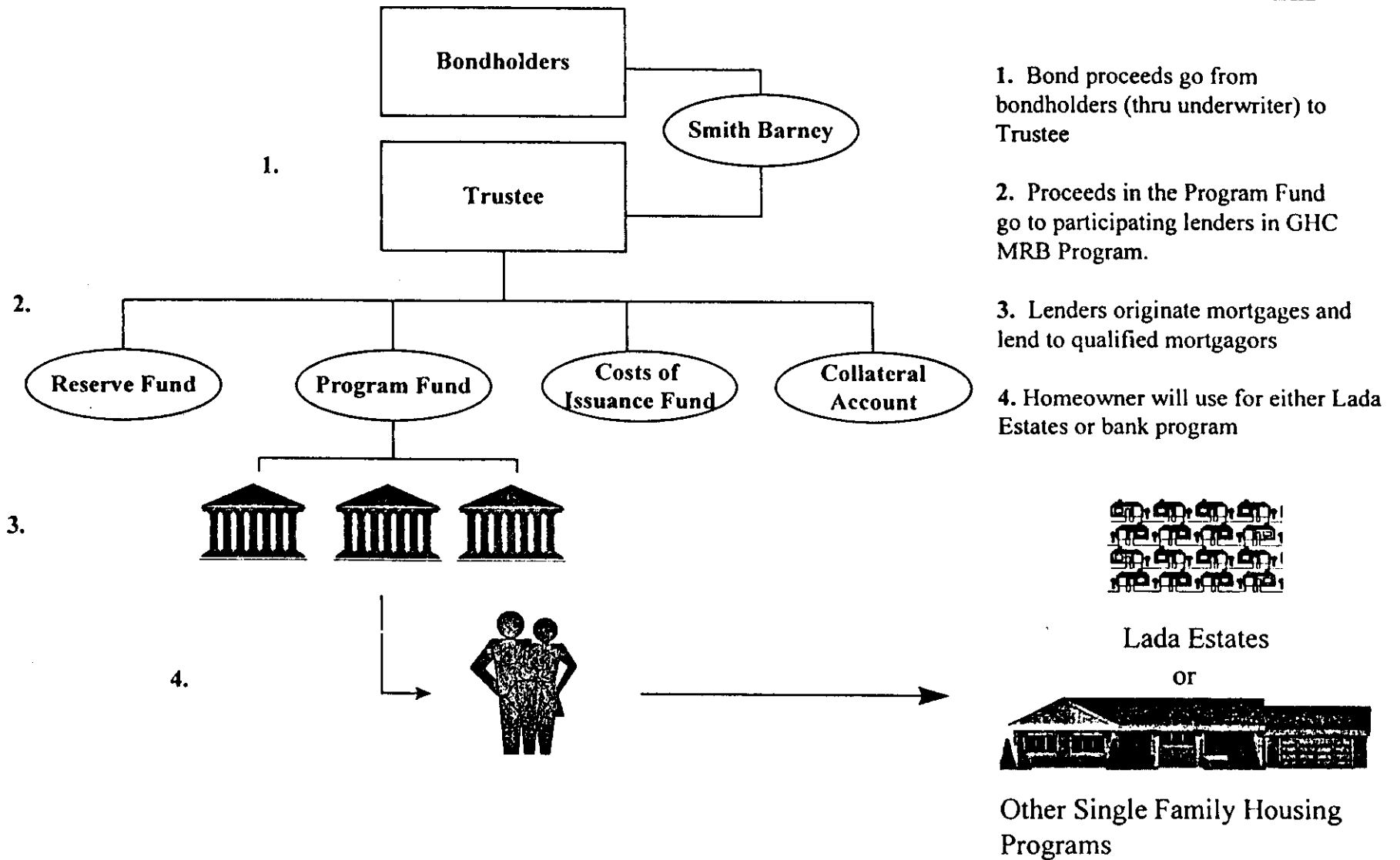
- Vision 2001 - Affordable Housing
 - Promote Private Development of Affordable Housing Programs
 - Completion of Lada Estates Affordable Housing Project. Successful model of housing development
 - Increase in homeownership



- Lending Institutions
 - Origination and servicing fees
 - Community Reinvestment Act (CRA) Credit
 - Increased Loan Activity

Mortgage Revenue Bond Issue

BOND ISSUANCE PROCESS

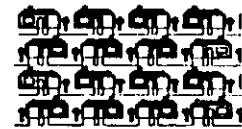


1. Bond proceeds go from bondholders (thru underwriter) to Trustee

2. Proceeds in the Program Fund go to participating lenders in GHC MRB Program.

3. Lenders originate mortgages and lend to qualified mortgagors

4. Homeowner will use for either Lada Estates or bank program



Lada Estates

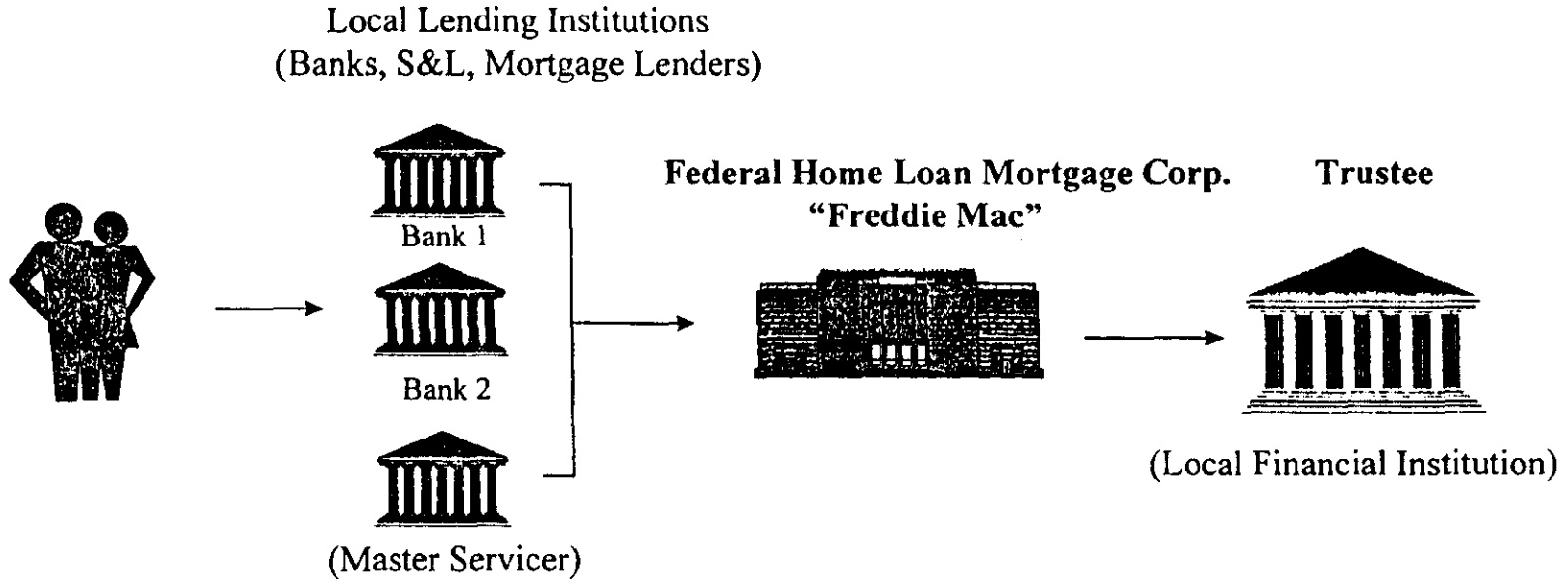
or



Other Single Family Housing Programs

Mortgage Revenue Bond Issue

BOND ISSUANCE PROCESS



5. Homeowner pays mortgage to lender

6. Lenders pool mortgages who send to a "Master Servicer" who then forwards to Freddie Mac

7. Freddie Mac "securitizes" mortgages aka Mortgage Backed Securities.

8. Trustee on behalf of GHC purchases these Freddie Mac MBS whose repayment backs the bonds

Mortgage Revenue Bond Issue

Estimated Monthly Payments & Closing Costs

\$100,000 Sales Price

	<u>w/MRB</u>	<u>w/o MRB</u>
Financing (@30 yrs.)	95,000	80,000
Downpayment	5,000	20,000
Interest Rate	8.00%	9.00%
Points - 2.50%	2,375	2,000
 <u>Monthly Payment</u>		
Principal & Interest (P&I)	697.08	643.70
Insurance	79.96	67.33
Tax	27.71	23.33
Private Mort. Insurance (PMI)	59.38	0.00
Total	<u>\$864.13</u>	<u>\$734.36</u>

Mortgage Revenue Bond Issue

Estimated Cost Differential

	<u>w/MRB</u>	<u>w/o MRB</u>
Downpayment	5,000	20,000
Points - 2.50%	2,375	2,000
Appraisal Cost	500	500
Prepaid Interest (30 days)	633.33	600.00
Recording	102	102
Title	625	625
Est. PMI (2 months)	118.76	0
Est. Tax & Int. (2 mos.)	<u>215.34</u>	<u>181.32</u>
Total	\$9,569.43	24,009.00
Annual Percentage Rate (APR)	8.34%	9.37%

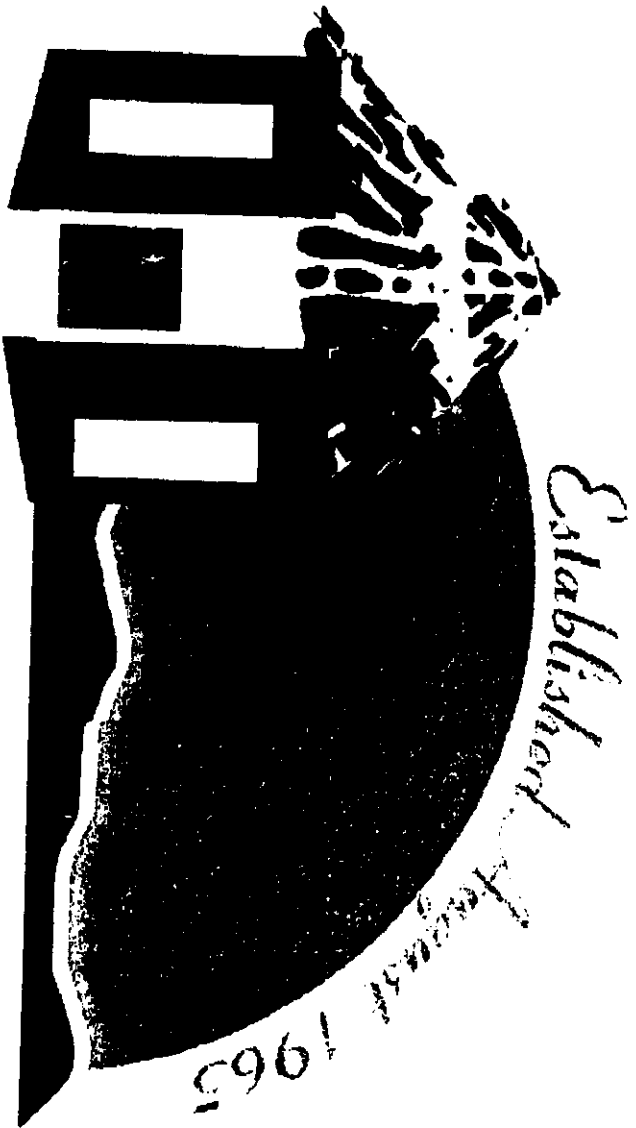
Mortgage Revenue Bond Issue

COST OF ISSUANCE (Estimated)

A. Underwriter's Fee	
Initial Issuance	\$305,000
Remarketing	<u>380,000</u>
	685,000
B. Cost of Issuance	<u>315,000</u>
	\$1,000,000

Mortgage Revenue Bond Issue**COST OF ISSUANCE (Breakdown)**

• Printing	6,000
• Bond Counsel	100,000
• Rating Agency	35,000
• Miscellaneous (Reimbursement Administrative Fees)	50,000
• Auditors	50,000
• Trustee	8,000
• Transcripts	500
• GEDA/Financial Advisor	<u>110,000</u>
Total	315,000



G H C

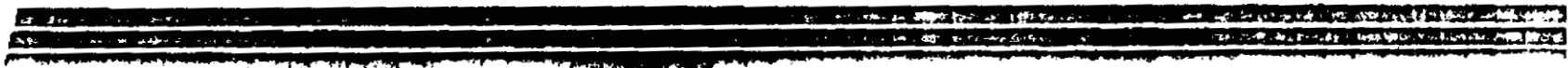
LANDA ESTATES

Affordable Housing Project

6- 3-97 11:41AM GUAM HOUSING CORP. -SLV. ANTONIO L. DELA ROSA
SENT BY :



LADA ESTATES
Affordable Housing Project
Guam Housing Corporation



Public Law 20-225

Lada Enabling Legislation

- An Act authorizing the Governor of Guam to transfer certain property in Dededo to Guam Housing Corporation to develop affordable housing for sale to first time homeowners. (Jan. 1991)
- 46 acres of GovGuam property in the vicinity of Wettengel Elem. School.





Lada's Target Market

An explanation of the "Gap Group"

- The purchase of Lada Estates homes are targeted for that portion of the population we refer to as "Gap Group" families.
- Specifically, a family in the Gap Group typically earns an income which positions them above qualification for the established assistance of local and/or federal housing programs (Section 8, GHURA LIPH, etc.) *YET* in the same instance, they are unable to seek home financing through conventional lenders (banks, mortgage companies, etc..) because of that same income.
- In essence, these families are in the middle (the Gap) that make too much money to get help from any Government subsidized program but still not making enough of an income to qualify for a loan large enough to purchase a home through conventional means.





Eligibility Criteria

(as established under P.L. 20-225)

- Meet the definition of “family”, that is, married persons or single persons with dependents
 - U.S. Citizens or Permanent Resident Aliens
 - A minimum of five (5) consecutive years’ Guam residency
 - First time homeowner
 - No interest in residential real property for at least three (3) years
-

Income Categorization

- The units shall be allocated to families on the following basis:

Category 1

- » 30% to families whose incomes are up to 100% of median income for Guam

Category 2

- » 50% to families whose incomes are between 100% and 130% of median income for Guam

Category 3

- » 20% to families whose incomes are between 130% and 150% of median income for Guam.

Note: The determination of median income is based on those established for Guam by the U.S. Department of Housing and Urban Development (HUD.)



Unit Allocations

- A total of 400 units

Category 1

- » 120 homes
 - Quadplex design

Category 2

- » 200 homes
 - Quadplex design

Category 3

- » 80 homes
 - A mix of Duplex and Single Family Detached designs



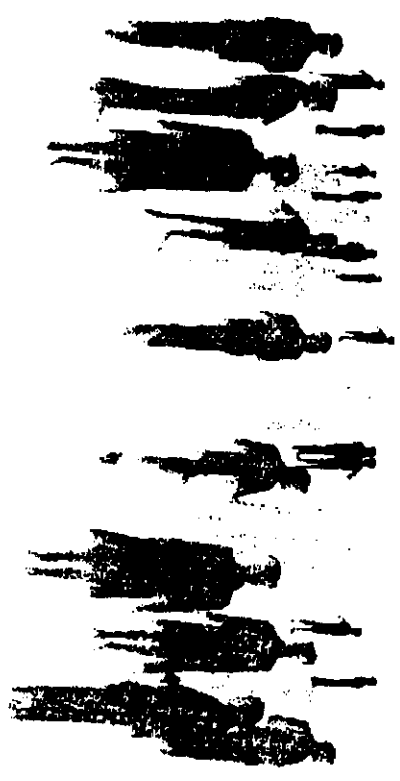
Category 1 Category 2
 Category 3



Lada Estates

A financially integrated community

- Lada homeowners will be part of a financially integrated community, that is, units of every income category will be interspersed throughout.



The Lada Lottery

- P.L. 20-225 provides for GHC to establish a lottery process in order to prioritize eligible and qualified applicants for the purchase of Lada homes.
 - Lottery procedures were established as part of the Lada Rules and Regulations and accepted under the provisions of the Admin. Adjudication Law (Dec. 1996.)
 - (1994) - GHC accepted over 1000 pre-registration applications for Lada Estates.
 - (1995) - GHC conducted preliminary prequalification interviews with this pool of pre-registrants after which over 800 were deemed to have met the basic income eligibility criteria.
 - (1997) - A number of pre-registrants no longer qualify due to some significant change in their status. The reasons are varied and include pre-registrants who have since acquired property, new disclosure of land and home ownership by some pre-registrants on and off-island (usually the Philippines), and in a few cases, the death of an elderly applicant.
-
-

STATUS

Present-day Application Solicitation

- **GHC opened for new Lada applications on May 05, 1997 and will continue to accept applications until the close of business June 20, 1997.**
- **At this same time, prior registrants are also advised to return to GHC and renew their documents to remain Lada participants.**
- **New applicants 1997**
 - **As of May 16, 1997 (two weeks after opening Lada for new applicants), GHC has accepted 99 new applications.**
- **Lada Pre-registrants**
 - **As of May 16, 1997, GHC has received 148 applications from the original pre-registrant pool. Greater response is expected during the extension period through June 20, 1997.**

Lada Pre-Registrant Demographic Data

- Residential disposition of pre-registrants

- › Northern - 77%
- › Central - 18%
- › Southern - 5%

- Family Size

	Avg.	Mode
› Category 1 -	3.4	4
› Category 2 -	3.3	3
› Category 3 -	3.4	3

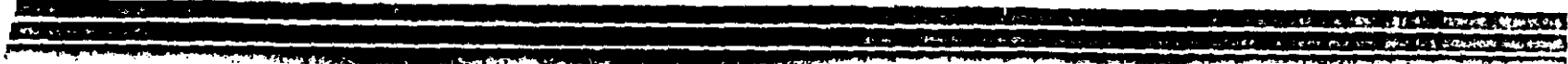
- Disposition of pre-registrants by income category

- › Category 1 - 77%
- › Category 2 - 17%
- › Category 3 - 6%

- Avg. Household Income

	Avg.	Median*
› Cat. 1 -	\$31,265	/\$31,257
› Cat. 2 -	\$51,435	/\$50,628
› Cat. 3 -	\$63,566	/\$62,449

* Denotes the actual median income level of the category (not the HUD median income level.)





LADDA ESTATES
Design and Development





Design and Development Unit Sale Price

• Unit Sale Price Elements (under P.L. 20-225)

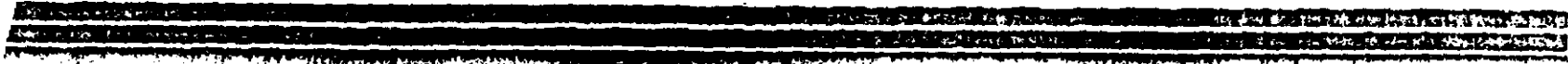
- The units will be sold at cost plus two percent (2%), and Three Dollars (\$3) per square meter for the house lot.
- Costs shall include but are not limited to all costs associated with the design, on-site infrastructure, construction, financing, sale and project management of the development. (See note below.)
- The two percent (2%) in excess of the costs shall be retained by GHC for the payment of expenses it will incur during the construction and monitoring of the project.

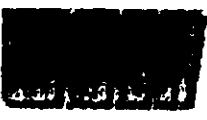
• Total Project Cost (\$MM)

(assumes the passage of proposed amendment to incl. off-site infrastructure development costs.)

-- Bldgs	35.90
-- Land	.72
-- On-site	8.00
-- Off-site	3.50
-- Total	48.12

Note: Bill 149 includes a provision to allow GHC to include the cost of off-site infrastructure development as another element of the unit price. Originally under P.L. 20-225, the cost of off-site infrastructure development was to be borne by the Government of Guam and not the Lada buyer.





Design and Development

How much will a unit cost?

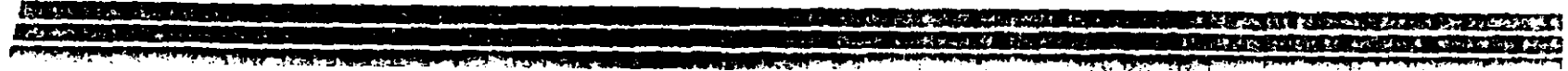
Unit Description

- Category 1
 - Quadplex units
 - » 1080sf to 1200sf living area
- Category 2
 - Quadplex units
 - » 1280sf to 1300sf living area
- Category 3
 - Duplex units
 - » 1380sf to 1400sf living area
 - Detached units
 - » 1322sf to 1400sf living area

Unit Pricing

- Category 1
 - \$110,300 to \$119,100
- Category 2
 - \$124,900 to \$126,400
- Category 3
 - Duplex
 - » \$139,400 to \$140,900
 - Detached
 - » \$135,600 to \$140,900

Note: Lada units are all of a 3- and 4- bedroom/ 2 bath design.





STATUS

The Bidding Process

- (Dec 1996)

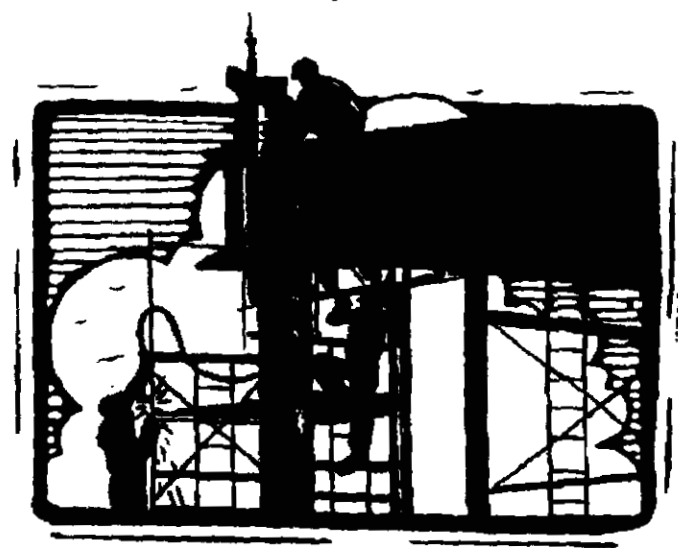
Initial Invitation to Bid

- Of the 27 bid packets purchased, only two were returned, both of which were summarily rejected for failure to comply with bid bonding requirements.

- (May 1997)

Invitation to Re-Bid

- GHC & DPW have re-opened the bidding process as of three weeks ago (May 5.) The pre-bid conference with bidders is scheduled for June 20, 1997. Closing date for the bid is now scheduled for July 10, 1997.



* Preliminary, subject to change.

Dated _____, 1997

SMITH BARNEY INC.

The Bonds will be issued when, as and if received by the Underwriter, subject to the approval of their legal counsel, Herrington & Sutcliffe, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., Los Angeles, California. It is expected that the Bonds will be available for delivery to The Depository Trust Company on or about _____, 1997.

MATURITY DATES, AMOUNTS, INTEREST RATES AND PRICES

Serial Bonds	Amount	Interest Rate	Price	Maturity
			%	
			%	

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should read this entire Official Statement to obtain information necessary to make an informed investment decision.

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and the Bonds and the interest thereon are exempt from taxation by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. Bond Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership, shipment or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" for additional information.

The Bonds are limited obligations of the Housing Corporation payable solely from Revenues (as defined herein) and any other assets pledged under the Indenture. The Housing Corporation is not obligated to make payment on the Bonds from any of its assets other than the revenues and other moneys held by the Trustee pursuant to the Indenture and specifically pledged for such purpose under the terms of the Indenture. The Bonds do not constitute an indebtedness or a loan of the credit of the Housing Corporation, the Territory of Guam or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation provision. Neither the faith and credit nor taxing power of the Territory of Guam or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Housing Corporation has no taxing power. The Bonds are not a debt or obligation of the United States of America or any agency thereof, or Federal Home Loan Mortgage Corporation ("FHLMC"), or the Territory of Guam and are not guaranteed by the full faith and credit of the United States of America, any agency thereof or FHLMC. The Territory of Guam is not liable for the payment of the Bonds.

The Bonds are subject to redemption prior to maturity, as described herein. The Bonds are being issued by the Guam Housing Corporation, a duly constituted public body corporate, organized and existing under and by virtue of the laws of the Territory of Guam (the "Housing Corporation"), pursuant to a Trust Indenture, dated as of _____, 1997 (the "Indenture"), by and between the Housing Corporation and _____, as trustee (the "Trustee"), in a home financing program within the geographic boundaries of the Housing Corporation by purchasing fully modified, mortgage-backed securities guaranteed as to timely payment of principal and interest by the Federal Home Loan Mortgage Corporation ("FHLMC Securities"). The FHLMC Securities will be backed by pools of home mortgages made to eligible mortgagors by qualified lending institutions pursuant to Chapter 4 of Title 12 of the Guam Code Annotated (the "Act"). See "THE PROGRAM" herein.

The Guam Housing Corporation Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program) 1997 Series A (the "Bonds") will be issued as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the Bonds will be payable on each June 1 and December 1 (each an "Interest Payment Date"), commencing on December 1, 1997. The Bonds will be delivered in fully registered form only, and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. See "THE BONDS--Book-Entry Only System." Principal of and interest on the Bonds will be paid by the Trustee to the beneficial owners of the Bonds. Payment to its participants for subsequent disbursement to the beneficial owners of the Bonds.

Dated: _____, 1997

Due: As shown below

GUAM HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
(MORTGAGE-BACKED SECURITIES PROGRAM)
1997 SERIES A

\$

*

RATING: See "RATING" herein

NEW ISSUE-BOOK-ENTRY ONLY

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Ortick, Herrington & Sutcliffe LLP
San Francisco, California

BOND COUNSEL

[to come]

COMPLIANCE AGENT

[to come]

TRUSTEE

[to come]

Board of Directors/Officers

GUAM HOUSING CORPORATION

No dealer, broker, salesman or other person has been authorized by the Housing Corporation or the Underwriters to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Underwriters. Thus Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE ACT	2
THE HOUSING CORPORATION	2
THE BONDS	3
General	3
Additional Bonds	3
Redemption	4
Book-Entry-Only System	7
SECURITY FOR THE BONDS	9
General	9
Sources of Payment and Security for the Bonds	9
The Investment Agreements	9
SOURCES AND USES OF FUNDS	10
STRUCTURE ASSUMPTIONS AND BONDHOLDERS' RISKS	10
Assumptions	10
Nondelivery of FHLMC Securities	11
Average Lives of Bonds	12
Investment Agreement Risks	13
Other Risks	14
THE PROGRAM	14
General	14
Program	14
Preexisting Housing Programs	16
Origination of Home Mortgage Loans and Delivery of Securities	16
Eligibility	16
Home Mortgage Loans	18
Purchase of Securities	18
Recycling	18
FHLMC MORTGAGE PARTICIPATION CERTIFICATES	18
General	18
FHLMC	19
FHLMC Guarantor Program	19
FHLMC Securities	19
Mortgage Purchase and Servicing Standards	20
SUMMARY OF PRINCIPAL DOCUMENTS	20
THE COMPLIANCE AGENT	21
TAX MATTERS	21
NO LITIGATION	22

RATING 22
APPROVAL OF LEGALITY 22
CONTINUING DISCLOSURE 22
UNDERWRITING 23
MISCELLANEOUS 23
APPENDIX A - PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL
APPENDIX B - PARTICIPATING LENDERS
APPENDIX C - LARGEST MORTGAGE BANKERS
APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT

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GUAM HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Mortgage-Backed Securities Program)
1997 Series A

INTRODUCTION

This Official Statement, including the cover pages and appendices hereto, sets forth certain information relating to the issuance by the Guam Housing Corporation (the "Housing Corporation") of its Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), 1997 Series A (the "Bonds"), which are being issued to provide funds to engage in a home financing program within the geographic boundaries of the Housing Corporation by purchasing fully modified, mortgage-backed securities guaranteed as to timely payment of principal and interest by the Federal Home Loan Mortgage Corporation ("FHLMC Security" or "Mortgage-Backed Security"). The Mortgage-Backed Securities will be backed by pools of home mortgages (the "Home Mortgages") made to eligible mortgagors by qualified lending institutions ("Lending Institutions") pursuant Chapter 4 of Title 12 of the Guam Code Annotated (the "Act"). Each Home Mortgage shall be secured by a mortgage creating a lien on the home. In addition, each Home Mortgage shall be insured by the Federal Housing Administration ("FHA"); be guaranteed by the Department of Veterans Affairs of the United States of America ("VA"); or be insured under a policy of private mortgage guaranty insurance issued by a private mortgage insurer acceptable to the FHLMC. See "THE PROGRAM" herein.

The Housing Corporation, a duly constituted public body corporate, organized and existing under and by virtue of the laws of the Territory of Guam, was created to promote the general welfare of the inhabitants of Guam and is authorized to engage in low and moderate income housing activities. [Brief description of GEDA]

The Bonds are being issued pursuant to the Act and a Trust Indenture, dated as of _____, 1997 (the "Indenture"), by and between the Housing Corporation and _____, as trustee (the "Trustee"). The Bonds represent the first series of bonds which will be issued under the Indenture. Additional series of bonds may be issued under the Indenture. If issued, such additional series of bonds are to be payable from and secured by the Revenues pledged under the Indenture on a parity with the Bonds. The issuance of additional series of bonds is subject to certain conditions, including a Cash Flow Statement, Bond Counsel opinion and a Rating Agency Certificate that such additional series of bonds will not bear a rating lower than the rating assigned by the Rating Agency to outstanding series of bonds. See "THE BONDS" herein.

The Bonds maturing on or after _____, 20__ are subject to redemption prior to maturity at the option of the Housing Corporation from any source of available funds. See "THE BONDS - Optional Redemption" herein. The Bonds maturing on _____, 20__ and _____, 20__ are subject to mandatory redemption prior to maturity from sinking fund installments in amounts sufficient to redeem specified principal amounts of such Bonds on specified dates. See "THE BONDS - Sinking Fund Redemptions" herein. The Bonds are also subject to mandatory redemption prior to maturity as a whole or in part as a result of amounts not having been used to acquire Mortgage-Backed Securities, prepayments on the Home Mortgages, excess revenues, and amounts available in the Redemption Fund under certain other circumstances. See "THE BONDS - Special Mandatory Redemption" herein.

Risks associated with the purchase of the Bonds, including the ability of the Housing Corporation to pay principal of and interest on the Bonds, may be impacted by many factors including, but not limited to: receipt of sufficient and timely payments of principal of and

interest on the Mortgage-Backed Securities and the investment or reinvestment of moneys held under the Indenture; acquisition by the Trustee of a minimum aggregate amount of Mortgaged-Backed Securities bearing interest at a specified rate per annum, backed by an appropriate amount of Home Mortgage loans at a specified rate per annum and term of years; investment of certain funds under the Indenture in certain investment agreements; receipt of timely and sufficient payments in accordance with the investment agreements; and prepayment of Home Mortgages at a rate different from that assumed by the Housing Corporation. See "STRUCTURE ASSUMPTIONS AND BONDHOLDERS' RISKS" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE HOUSING CORPORATION PAYABLE SOLELY FROM REVENUES AND ANY OTHER ASSETS PLEDGED UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE TERRITORY OF GUAM, OR ANY POLITICAL SUBDIVISION THEREOF, OR THE UNITED STATES OF AMERICA, OR ANY AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE HOUSING CORPORATION HAS NO TAXING AUTHORITY. THE BONDS ARE NOT A DEBT OR OBLIGATION OF THE UNITED STATES OF AMERICA OR THE TERRITORY OF GUAM OR THE FEDERAL HOME LOAN MORTGAGE CORPORATION. THE TERRITORY OF GUAM IS NOT LIABLE FOR THE PAYMENT OF THE BONDS.

All descriptions of the Bonds and the summary of certain provisions of the Indenture and other documents herein are qualified in their entirety by reference to the Indenture. Copies of the Indenture and other documents described herein are available _____ . See "SUMMARY OF PRINCIPAL DOCUMENTS--DEFINITIONS" for capitalized terms used herein and not otherwise defined herein.

THE ACT

The Act is set forth at Chapter 4 of Title 12 of the Guam Code Annotated. It authorizes the Housing Corporation to make, purchase and make commitments to purchase, and take assignments from Lending Institutions of, home mortgages and mortgage-backed securities, under terms and conditions specified by the Housing Corporation. The Act also authorizes the Housing Corporation to borrow funds for any of its corporate purposes by the issuance, from time to time, of bonds under such terms and conditions as the Housing Corporation may prescribe and to pledge and assign revenues and other property of the Housing Corporation to the repayment of such bonds. [Further description of Act will be developed upon passage of pending legislation.]

Bonds issued under the Act are limited obligations of the Housing Corporation. The Housing Corporation has no taxing power.

THE HOUSING CORPORATION

The Housing Corporation is a duly constituted public body corporate, organized and existing under and by virtue of the laws of the Territory of Guam. The Housing Corporation was created in order to promote the general welfare of the inhabitants of the Territory of Guam.

The Housing Corporation is authorized to engage in various activities, including the promotion of investment of private capital in low and moderate income residential housing in Guam; engaging in land-use planning for residential housing purposes to the end that the most economic and socially beneficial use may be made of land; and encouraging and engaging in low and moderate income housing activities, including the development of residential subdivisions,

construction of housing for rental or resale, and making loans to any person for the purchase, construction, improvement or repair of a home.

The current officers and Board members of the Housing Corporation are as follows: [Describe governing body, officers and staffing. Provide summary of Housing Corporation activities to date. Include address and phone number of Housing Corporation.]

THE BONDS

General

The Bonds will mature on the dates and in the amounts, and will bear interest from their date at the rates, shown on the cover page of this Official Statement. The Bonds will be issued only in fully registered form in denominations of \$5,000 or integral multiples thereof.

Interest on the Bonds will be paid on June 1 and December 1 (each an "Interest Payment Date"), commencing on December 1, 1997. Interest on and principal of the Bonds is payable by the Trustee to Cede & Co., as registered owner and nominee for DTC, by wire transfer in accordance with the terms of letters of representations from both the Housing Corporation and the Trustee to DTC. DTC will receive payments on the Bonds from the Trustee and remit such payments to DTC Participants for subsequent disbursement to Beneficial Owners. See "THE BONDS--Book-Entry-Only System."

Additional Bonds

The Housing Corporation may issue additional bonds ("Additional Bonds") upon the terms and conditions set forth in the Indenture. If issued, such Additional Bonds are to be payable from and secured by the Revenues pledged under the Indenture on a parity with the Bonds.

Additional Bonds may be issued if, after the effective date of the Supplemental Indenture with respect to such Additional Bonds, the Trustee has received the following:

- (i) a Counsel's Opinion to the effect that the Indenture and the applicable Supplemental Indenture have been duly authorized by the Housing Corporation and are valid and binding upon the Housing Corporation;
- (ii) a Request of the Housing Corporation specifying the purchaser or purchasers of such Bonds, the price for such Bonds and the amounts to be deposited in the various Funds and Accounts;
- (iii) the proceeds of such Additional Bonds for deposit in the various Funds and Accounts;
- (iv) except in the case of Additional Bonds issued pursuant to Section ___ of the Indenture regarding ____, a Certificate of the Housing Corporation stating that as of the issuance of such Bonds, the Housing Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained therein and that there is no deficiency in any Funds or Accounts created thereby and that as of the issuance of such Bonds and the application of the proceeds thereof, the Supplementary Reserve Accounts will not be less than their respective Supplementary Reserve Account Requirements;
- (v) a Cash Flow Statement giving effect to the issuance of such Additional Bonds;

(vi) an opinion of nationally recognized bond counsel to the effect that the Bonds of such Series have been duly authorized by, and constitute valid and binding special obligations of, the Housing Corporation; and

(vii) evidence from the Rating Agency that such Additional Bonds will not bear a rating lower than the rating assigned by the Rating Agency to the Bonds or any other Additional Bonds then Outstanding or if a rating agency other than the Rating Agency provides a rating for such Additional Bonds, evidence from the Rating Agency that the issuance of such Additional Bonds will not cause the rating on the Bonds or any other Additional Bonds to be withdrawn, lowered or suspended.

Redemption

Optional Redemption. The Bonds maturing on or after _____, 20__ are subject to redemption at the option of the Housing Corporation, from any source of available funds, as a whole or in part, on any date on or after _____, 20__ at the following redemption prices, plus accrued interest to the date fixed for redemption:

Redemption Period

[to come]

Redemption Price

[to come]

The Housing Corporation may effect a partial optional redemption through the sale of any Mortgage-Backed Securities only by delivering to the Trustee a Cash Flow Analysis demonstrating that the sale of such Mortgage-Backed Securities and such partial optional redemption will not adversely affect the availability of Revenues sufficient to make timely payment of debt service on the Bonds and all Program Expenses until final payment of the Bonds.

Sinking Fund Redemptions. The bonds maturing on _____ 1, 20__ and _____, 20__ are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on _____ 1 or _____ 1 as specified below the respective principal amount of such Bonds specified as follows:

Bonds Maturing on _____ 1, 20__

Date Amount

Bonds Maturing on _____ 1, 20__

Date Amount

Upon any purchase or redemption of the Bonds other than by sinking fund payment, an amount equal to the principal amount of the Bonds so purchased or redeemed will be credited towards a part or all of any one or more redemptions of the Bonds of the same maturities, as directed by the Housing Corporation, and all Bonds so purchased shall be delivered to the Trustee. The portion of any such sinking fund redemptions remaining after the deduction of any such amounts credited toward the same (or the original amount of any such sinking fund redemption if no such amounts shall have been credited toward the same)

shall constitute the unsatisfied balance of such sinking fund redemption for the purpose of the calculation of sinking fund redemptions due on any future date.

Special Mandatory Redemption. The Bonds are subject to special mandatory redemption prior to their stated maturity at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, as follows:

(i) as a whole or in part on a pro rata basis among all maturities of the Bonds on _____, 199__ (as such date may be extended under the Indenture as described herein under "SUMMARY OF PRINCIPAL DOCUMENTS--The Indenture--*Program Fund*") from amounts transferred from the Program Fund to the Redemption Fund which have not been used to acquire Mortgage-Backed Securities;

(ii) as a whole or in part on a pro rata basis among all maturities of the Bonds on _____, 199__ (as such date may be extended under the Indenture as described herein under "SUMMARY OF PRINCIPAL DOCUMENTS--The Indenture--*Program Fund*") from amounts transferred from the Targeted Area Program Account of the Program Fund to the Redemption Fund which have not been used to acquire Mortgage-Backed Securities;

(iii) as a whole or in part on the first day of each month, commencing _____, 199__, from amounts on deposit in the Prepayment Account in the Redemption Fund from prepayments on the Home Mortgages with respect to the Bonds; and

(iv) as a whole or in part on each Interest Payment Date, commencing _____, 199__, in an amount equal to amounts on deposit in the Redemption Fund on such Interest Payment Date (other than as described in (i), (ii) or (iii) above); provided that no such redemption will occur unless the amount of Bonds to be redeemed equals at least \$25,000.

(v) [super sinker language to come]

[Mortgage-Backed Securities held by the Trustee may not be sold to effect a redemption as described in (iii) or (iv) above.]

Selection of Bonds for Redemption. [Unless otherwise directed by the Housing Corporation and with a Cash Flow Certificate,] the particular Bonds to be redeemed on any redemption date will be selected pro rata among maturities and, within a maturity, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. In the event of redemption of less than all of the Outstanding Bonds of a maturity, within such maturity redemption will be by lot, and the Trustee will assign to each Outstanding Bond a distinctive number for each \$5,000 of the principal amount of such Bond and will select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at \$5,000 principal amount for each number, will equal the principal amount of the Bonds to be redeemed. The Bonds to be redeemed will be the Bonds to which were assigned the numbers so selected, but only so much of the principal amount of each Bond of a denomination of more than \$5,000 principal amount will be redeemed as will equal \$5,000 principal amount for each number assigned to it and so selected. [Super sinker language to come.]

Notice of Redemption. Notice of redemption will be mailed, not less than 30 days (20 days with respect to special mandatory redemption as described in paragraph (i) or (ii) under

"THE BONDS--Redemption--*Special Mandatory Redemption*") nor more than 60 days prior to the redemption date, to (i) the Owners of any Bonds, or portions thereof, designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories, (iii) two or more Information Services, and (iv) each then-existing Nationally Recognized Municipal Securities Information Repository and State Repository, if any. Notice of Redemption to the Securities Depositories, the Information Services and the registered owners of \$1,000,000 or more in principal amount of Bonds will be given by certified mail, return receipt requested, overnight delivery, legible telecopy or other secure means. Notice of redemption mailed to the Securities Depositories should be received by such Securities Depositories at least two days prior to the date on which notice is given to the Owners. Each notice of redemption will state the redemption date, the place or places of redemption, and, if less than all Bonds are to be redeemed, the numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered. Failure by the Trustee to give notice to any one or more of the Information Services, Securities Depositories, Nationally Recognized Municipal Securities Information Repositories or State Repositories, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption to any one or more of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

Notice of redemption will be given by the Trustee for and on behalf of the Housing Corporation. Such notice will be deemed to have been given when mailed, first-class postage prepaid, to the Owners of the Bonds to be redeemed.

Any notice of the redemption of Bonds may state that such notice is conditional and that if the conditions for redemption of such Bonds on the scheduled redemption date are not satisfied (including the availability of funds sufficient to redeem such Bonds) such Bonds will not be redeemed on such date and any Bonds tendered for payment on such date will be returned to the Owners thereof.

For purposes of giving notice of redemption of Bonds in accordance with paragraph (i) or (ii) under "THE BONDS--Redemption--*Special Mandatory Redemption*," the Trustee shall determine the principal amount of Bonds to be redeemed and shall select Bonds for redemption not less than 20 days nor more than 60 days prior to the applicable redemption date and the Housing Corporation will notify the Trustee on or before _____, 199__ of the aggregate principal amount, if any, of Mortgage-Backed Securities expected to be purchased by _____, 199__. For purposes of giving notice of redemption of Bonds in accordance with paragraph (iii) or (iv) under "THE BONDS--Redemption--*Special Mandatory Redemption*," the Trustee shall determine the principal amount of Bonds to be redeemed and shall select Bonds for redemption not less than 35 days nor more than 60 days prior to the applicable redemption date. In making such determinations, the Trustee shall take into account Prepayments actually received on or prior to such date of determination and scheduled payments of principal and interest on the Mortgage-Backed Securities to be received prior to such redemption date.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Housing Corporation will execute, and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Housing Corporation, a new Bond or Bonds of authorized denominations, of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of "Cede & Co." (DTC's partnership nominee). One fully registered Bond certificate will be issued in the aggregate principal amount of the Bonds of each maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect DTC Participants"). The rules applicable to DTC and Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given to the Bondholders, they will be sent by the Trustee to DTC only (except as otherwise specifically provided in the Indenture). DTC is responsible for notifying Participants, and Participants are responsible for notifying the Beneficial Owners. Neither the Trustee nor the Housing Corporation are responsible for sending notices to Beneficial Owners. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Housing Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not DTC, the Trustee or the Housing Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Housing Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of the Bonds, the Trustee may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Housing Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Housing Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Housing Corporation and the Underwriter believe to be reliable, but the Housing Corporation and the Underwriters take no responsibility for the accuracy thereof.

NEITHER THE HOUSING CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference herein to the Bondholders or Owners of the Bonds will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners of the Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be secured under the Indenture. The Bonds and any Additional Bonds will be secured separately from any other bonds issued by the Housing Corporation, other than Additional Bonds.

The Bonds are limited obligations of the Housing Corporation payable solely from Revenues (as defined herein) and any other assets pledged under the Indenture. The Housing Corporation is not obligated to make payment on the Bonds from any of its assets other than the Revenues and other moneys held by the Trustee pursuant to the Indenture and specifically pledged for such purpose under the terms of the Indenture. The Bonds do not constitute an indebtedness or a loan of the credit of the Housing Corporation, the Territory of Guam or the United States of America within the meaning of any constitutional or statutory provisions. Neither the faith and credit nor taxing power of the Territory of Guam or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Housing Corporation has no taxing power. The Bonds are not public indebtedness of the Territory of Guam as that term is used in Section 11 of the Organic Act of Guam, and said Territory is not liable for the payment thereof.

Sources of Payment and Security for the Bonds

Mortgage-Backed Securities. The FHLMC Securities acquired by the Trustee with respect to the Bonds will be held in book-entry form in trust for the benefit of the Owners of the Bonds. If the Trustee does not receive payment or advice from the depository of payment with respect to a FHLMC Security when due, the Trustee will demand payment from the Federal Home Loan Mortgage Corporation ("FHLMC") in connection with the guaranty of timely payments of principal and interest by FHLMC.

Funds Pledged Under the Indenture. All Funds created under the Indenture (except the Rebate Fund) are pledged to secure the Bonds and any Additional Bonds. Pursuant to the Indenture, the Trustee will deposit all Revenues in the Revenue Fund, except that Prepayments will be deposited to the Prepayment Account in the Redemption Fund and, upon receipt by the Trustee of an interest payment on a Mortgage-Backed Security representing interest accrued prior to the date such Mortgage-Backed Security was purchased by the Trustee with amounts on deposit in the Program Fund or the Targeted Areas Program Account, the Trustee will remit such amount to the Servicer from which it purchased the Mortgage-Backed Security. All Revenues will be held by the Trustee in trust for the benefit of the Owners of the Bonds and any Additional Bonds, and the Housing Corporation will have no beneficial right or interest in any of such moneys, except as otherwise expressly provided in the Indenture. The term "Revenues" is defined in the Indenture to mean all income, revenues, proceeds and other amounts received by the Trustee on behalf of the Housing Corporation from or in connection with the assets pledged as security therefor, and any and all interest, profits or other income derived from the investment of amounts in any Fund established with respect to such Revenues (except amounts in the Rebate Fund pursuant to the Indenture or any amount retained by a Servicer or the Compliance Agent as a servicing fee or other compensation).

The Investment Agreements

All amounts held in the Program Fund and the Targeted Area Program Account will be invested pursuant to an Investment Agreement, dated _____, 1997 (the "Program Fund Investment Agreement"), between the Trustee and _____, at an

interest rate of ____% per annum. The Program Fund Investment Agreement obligates _____ to make specific payments to the Trustee pursuant to the Program Fund Investment Agreement as described thereunder and does not guarantee payment of the principal of or interest on the Bonds.

All amounts held in the Revenue Fund, Interest Fund, Principal Fund, Program Expense Fund and Redemption Fund (including the Prepayment Account) established under the Indenture will be invested pursuant to an Investment Agreement, dated _____, 1996 (the "Float Fund Investment Agreement"), between the Trustee and _____, at an interest rate of ____% per annum. The Float Fund Investment Agreement obligates _____ to make specific payments to the Trustee pursuant to the Float Fund Investment Agreement as described thereunder and does not guarantee payment of the principal of or interest on the Bonds. [The payment obligations of _____ under the Float Fund Investment Agreement are guaranteed by _____, pursuant to a Guarantee dated as of _____, 1996.]

Neither the Housing Corporation nor the Underwriters make any representation about the financial condition or creditworthiness of _____ or _____.

SOURCES AND USES OF FUNDS

Sources

Principal Amount of Bonds	\$ _____
Accrued Interest	_____
Additional Deposits	_____
Total	\$ _____

Uses

Program Fund	\$ _____
Revenue Fund	_____
Cost of Issuance Fund, including a portion of Underwriter's Fee	_____
Total	\$ _____

STRUCTURE ASSUMPTIONS AND BONDHOLDERS' RISKS

Assumptions

The interest rate on the Mortgage-Backed Securities will be such that payments of principal of and interest on the Mortgage-Backed Securities plus money on deposit in the various funds and accounts established pursuant to the Indenture (as well as earnings thereon, except those required to be remitted to the United States), with the exception of the Rebate Fund and the Cost of Issuance Fund, are expected to generate sufficient revenues to pay on a timely basis the principal of and interest on the Bonds.

The ability of the Housing Corporation to pay principal of and interest on the Bonds depends upon receipt of sufficient and timely payments of principal of and interest on the

Mortgage-Backed Securities and the investment or reinvestment of moneys held under the Indenture. Timely payment of principal and interest on the Bonds is anticipated to occur based on, among other things, the following assumptions:

(1) FHLMC Securities in an aggregate principal amount of \$ _____ and bearing interest at a rate of ____% per annum, backed by Home Mortgage loans in an aggregate principal amount of \$ _____ and bearing interest at a rate of ____% per annum, will be acquired by the Trustee no later than _____ with respect to the Program Fund (excluding the Targeted Area Program Account) and _____ with respect to the Targeted Area Program Account, unless such dates are extended as provided by the Indenture. See " _____ " herein.

(2) The Housing Corporation will receive an annual fee equal to ____% of the aggregate principal amount of FHLMC Securities outstanding and an additional fee equal to ____% of the aggregate principal amount of Bonds Outstanding less the fees and expenses of the Trustee in such year, and the Trustee will receive a fee not to exceed ____% of the aggregate principal amount of the Bonds Outstanding.

(3) Payments on the FHLMC Securities will be made on a timely basis.

(4) The Home Mortgage loans will have terms of 30 years.

(5) The Program Fund and the Targeted Area Program Account for the Bonds will be invested pursuant to the Program Fund Investment Agreement. Amounts deposited in all other Funds (other than the Costs of Issuance Fund and the Rebate Fund) will be invested pursuant to the Float Fund Investment Agreement as described under "SECURITY FOR THE BONDS--The Investment Agreements."

The assumptions set forth above are based on current market conditions and practices, and subsequent events may not correspond to such assumptions.

Under certain circumstances, interest on the Bonds may be subject to certain federal income tax consequences. See "TAX MATTERS" herein.

Nondelivery of FHLMC Securities

There are numerous reasons why Home Mortgage loans may not be originated, FHLMC Securities may not be issued in a timely manner, and therefore why FHLMC Securities may not be purchased by the Trustee, in the aggregate amount anticipated for the Bonds. One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. For example, prevailing interest rates for conventional mortgages in the Territory of Guam could decrease and make the Home Mortgage loans less attractive to potential homeowners. In the event that, prior to all the Home Mortgage loans being originated by [the Housing Corporation and] the Lending Institutions, funds to make home mortgage loans were to become available at rates competitive with those specified for the Home Mortgage loans, the Lending Institutions may not be able to utilize all of the funds available for the origination of Home Mortgage loans. No assurance can be given that the interest rates offered by the Program on the Home Mortgage loans will remain competitive with conventional interest rates.

In addition, no assurance can be given that a change in the existing FHLMC program will not occur such that FHLMC Securities may not be available for purchase by the Trustee, in which event the Bonds may be redeemed.

Average Lives of Bonds

The maturity of the Bonds has been fixed based on the estimated average maturity date of the Home Mortgage loans assuming no prepayments. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the Bonds will be influenced by the rate at which principal on the Home Mortgage loans securing the Bonds is paid. Principal payments on Home Mortgage loans may be in the form of scheduled amortizations or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Home Mortgage loans, including payments on the private mortgage insurance policies). Prepayments on Home Mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Public Security Association ("PSA") prepayment standard or model (the "PSA Prepayment Model"). The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the mortgage loans. The PSA Prepayment Model has an increasingly large percentage of the mortgage loans prepaying each month for the first 30 months of the mortgages' life and then assumes a constant prepayment rate of ___% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

As used in the following table: (i) "0% PSA" assumes no prepayments on the principal of the Home Mortgage loans; (ii) "50% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate half as fast as the prepayment rates for 100% of the PSA Prepayment Model; (iii) "100% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate as fast as the prepayment rates for 100% of the PSA Prepayment Model; (iv) "150% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate one and a half times as fast as the prepayment rates for 100% of the PSA Prepayment Model; (v) "200% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate twice as fast as the prepayment rates, for 100% of the PSA Prepayment Model; (vi) "300% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate three times as fast as the prepayment rates for 100% of the PSA Prepayment Model; (vii) "400% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate four times as fast as the prepayment rates for 100% of the PSA Prepayment Model; and (viii) "500% PSA" assumes the principal of the Home Mortgage loans will prepay at a rate five times as fast as the prepayment rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayment of the principal of the Home Mortgage loans will conform to any level of the PSA Prepayment Model. The rate of principal payments on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage interest rates and the rate at which homeowners sell their homes or default on their mortgage loans. In general, if prevailing interest rates fall significantly, the Home Mortgage loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such Home Mortgage loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of Home Mortgage loans include changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgaged properties. In addition, as homeowners move or default on their Home Mortgage loans, the houses are generally sold and the Home Mortgage loans prepaid, although under certain circumstances the Home Mortgage loans may be assumed by a new buyer. Because of the foregoing and since the rate of prepayment of principal of each Bond will depend on the rate of repayment (including Prepayments) of the Home Mortgage loans, the actual redemption of any Bond is likely to occur earlier, and could occur significantly earlier, than its stated maturity. Amounts representing prepayments of Home Mortgage loans will result in prepayments of Mortgage-Backed Securities principal, and such amounts will be used to redeem Bonds in a corresponding

principal amount (unless such amounts are recycled into new Home Mortgage loans as described herein under "THE PROGRAM--Recycling"). See "THE BONDS--Redemption--Special Mandatory Redemption." Based on the foregoing, the repayment of Bond principal is likely to occur significantly earlier than its stated maturity.

The figures in the table set forth below are computed utilizing the program assumptions which have been previously listed and assuming that all Home Mortgage loans will be originated evenly over an 18-month period and that principal payments received with respect to Home Mortgage loans will not be used to finance additional Home Mortgage loans.

TABLE OF PROJECTED AVERAGE LIFE OF BONDS (IN YEARS)

<u>Prepayment Speed</u>	<u>Weighted Average Life</u>
0% PSA	—:—
50% PSA	—:—
100% PSA	—:—
150% PSA	—:—
200% PSA	—:—
300% PSA	—:—
400% PSA	—:—
500% PSA	—:—
700% PSA	—:—

Home Mortgage loans may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance with the Program. There is no completely reliable statistical base with which to predict the level of prepayment in full or other early termination of the Home Mortgage loans and the resulting effect on the average life of the Bonds.

Investment Agreement Risks

Amounts deposited in the Program Fund and the Targeted Area Program Account (approximately \$ _____) will be invested under the Program Fund Investment Agreement. See "SECURITY FOR THE BONDS--The Investment Agreements." Although the debt rating of such provider is "_____" ("_____" is the [highest short-term rating of the Rating Agency]), no assurance can be given that such rating will not be lowered prior to the termination date of such agreement, in which case the rating of the Bonds would be lowered. See "RATING" herein. No financial information is included in this Official Statement with respect to such provider. The existence of such rating should not be construed as making any representation as to the continued solvency of such provider.

Amounts deposited in the Revenue Fund, the Interest Fund, the Principal Fund, the Program Expense Fund and the Redemption Fund will be invested in the Float Fund Investment Agreement. See "SECURITY FOR THE BONDS--The Investment Agreements." The payment obligations of the provider under the Float Fund Investment Agreement are unsecured, noncollateralized obligations of such provider. Although the debt rating of such provider is "_____" no assurance can be given that such rating will not be lowered during the term of the Bonds, in which case the rating of the Bonds would be lowered. See "RATING" herein. No financial information is included in this Official Statement with respect to such provider. The existence of such rating should not be construed as making any representation as to the continued solvency of such provider.

Neither the Housing Corporation nor the Underwriters make any representations as to the ability of the providers of the Investment Agreements to make the payments required under the Investment Agreement.

Other Risks

The remedies available to the Owners of the Bonds upon an Event of Default under the Indenture or other documents described herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies set forth in the Indenture and the various documents relating to the Program (as defined below) may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the rights of creditors generally and by the application of equitable principles and the exercise of judicial discretion.

THE PROGRAM

General

The Housing Corporation has established its program of purchasing FHLMC Securities backed by Home Mortgage loans (the "Program") for the purpose of assisting residents of Guam which are first time homeowners, of low and moderate income, in acquiring and owning affordable housing as authorized pursuant to the Act.

Under each Mortgage Purchase Agreement, the Trustee, on behalf of the Housing Corporation, has agreed to purchase FHLMC Securities backed by Home Mortgage loans originated and issued by the Housing Corporation or the Lending Institutions. The Housing Corporation and Lending Institutions will either (i) originate Home Mortgage loans and sell them to [the Housing Corporation or] a Lending Institution acting as servicer, (ii) originate Home Mortgage loans and retain the servicing with respect thereto, or (iii) originate Home Mortgage loans and service such loans and purchase Home Mortgage loans from Lending Institutions as described in clause (i). The Housing Corporation and any Lending Institution acting as a servicer will sell pools of Home Mortgage loans to FHLMC in exchange for FHLMC Securities issued and guaranteed by FHLMC and sell the FHLMC Securities to the Trustee. [This paragraph, as well as others, will need to be modified to reflect the final determinations regarding originations and servicing among the Housing Corporation and Lending Institutions.]

The Housing Corporation expects to enter into Mortgage Purchase Agreements with each of the Lending Institutions listed in Appendix ___. There can be no assurance, however, that any particular lender will execute and deliver an Agreement. Additional Lending Institutions may also participate in the Program. A list of the largest mortgage bankers ranked by dollar volume of loans originated in the Territory of Guam in 199__ is attached hereto as Appendix __.

Program

The Program is designed to assist low- and middle-income families in purchasing new and preexisting housing. Public Law 20-255 authorized the transfer of Government of Guam property in Dededo, Guam, to the Housing Corporation to develop and build affordable new

housing for sale to qualified applicants at less than market prices. This development has been named the Lada Estates.

Lada Estates The Lada Estates is comprised of some 46 acres of land within Dededo, Guam. [Public Law 20-255 requires the Government of Guam to provide all necessary off-site infrastructure and off-site access roads.] All other costs related to the Lada Estates are to be paid for through the sale of the housing units.

The current estimated prices for housing units range from approximately \$100,000 for a three bedroom, two bathroom quadplex with carport, to approximately \$145,000 for a four bedroom, two bathroom single family detached unit with carport. A Lada Estates model home was constructed in 1994. However, the project design criteria has been changed and no model homes conforming to the new design criteria have been constructed.

Bids for construction of the Lada Estates housing project were opened December 6, 1996. [Briefly describe the bid letting process, performance bond requirements, projected construction schedule and completion rate for the entire Lada Estates project. Also describe, if possible, whether certain type units will be constructed sooner than other type units.]

[State whether all necessary permits and approvals been obtained. Describe any contingencies with respect to completion of construction by the successful bidder]

During the initial pre-application process in 1994, the Housing Corporation received over 850 applications from families which purportedly met income and citizenship/residency requirements. The Housing Corporation continues to receive applications. Of the over 800 original applicants who have been determined by the Housing Corporation to be eligible to participate in the Program, approximately 500 elected to participate in a Housing Corporation pre-qualification process. Of those applicants, nearly 250 have been pre-approved for loan amounts ranging from \$70,000 to \$150,000.

Upon execution of a contract with the successful bidder for the construction of the Lada Estates project, a lottery will be held. [Describe the lottery process as finally approved.]

It is currently projected that 399 housing units will be constructed at the Lada Estates, consisting of: 24 single-family detached units with three bedrooms and two bathroom; 25 single-family detached units with four bedrooms and two bathrooms; 15 duplex units with four bedrooms and two bathrooms; 15 duplex units with three bedrooms and two bathrooms; 160 quadplex units with four bedrooms and two bathrooms; and 160 quadplex units with three bedrooms and two bathrooms. All units include a carport.

According to a Merrill Associates household survey of Guam conducted in January 1993, it was projected that over 2,300 families then renting but looking to purchase a new home met the eligibility criteria for some form of Lada Estates housing. Not all of these families are expected to be willing to move to the Dededo area. However, certain factors enhance the potential demand for Lada estates housing units. These housing units will be sold at prices substantially less than market value, thereby enhancing the desirability of such units. In addition, Dededo was top ranked as the most desirable place to buy a next home in an island-wide household preference survey conducted by Merrill & Associates in October 1993. At the current projected level of 399 units at Lada Estates, only 17% of the projected 2,300 eligible families could purchase a Lada Estates unit. Nevertheless, no assurances can be made by the Housing Corporation regarding the amount of Home Mortgage loans associated with Lada Estates housing units will ultimately be originated under the Program. See "STRUCTURE ASSUMPTIONS AND BONDHOLDERS' RISKS" herein.

Preexisting Housing Programs

The Housing Corporation has several ongoing housing programs which it currently administers. [Describe scope and extent of existing housing projects currently being administered by the Housing Corporation -- original amounts for each program, funding sources, delinquency rates, servicing history, etc.]

Origination of Home Mortgage Loans and Delivery of Securities

The amounts made available by the issuance of the Bonds will be used to purchase FHLMC Securities backed by Home Mortgage loans originated by [the Housing Corporation and] the Lending Institutions participating in the Program. The Housing Corporation has established a [first-come, first-served/lottery/other] reservation system for Home Mortgage loans, [including a waiting list]. [The Housing Corporation may at its option also accept any allocation requests from the Lending Institutions for a special reservation of funds for a period greater than ___ months but no longer than ___ months, subject to a negotiated back-end penalty fee if the allocation is not used. The Housing Corporation and each Lending Institution will act as both seller to FHLMC and servicer of the underlying mortgage loans or sell its mortgage loans to one of the other participating Lending Institutions.] The Home Mortgage loans must have a term of not more than 30 years from the first payment date of such Home Mortgage loans. Each Home Mortgage loan made by [the Housing Corporation and each Lending Institution] must satisfy all requirements of the Program [in addition to applicable _____ requirements].

The Home Mortgage loans will bear interest at a rate of ___% per annum. The Home Mortgage loans will be accompanied by a cash contribution (advanced by each Lending Institution and then reimbursed by the FHLMC Security purchase price if the Lending Institution is a servicer or upon the sale of the Home Mortgage loan to the Lending Institution who will service such Home Mortgage loan) to eligible homebuyers of up to ___% of the principal amount of the Home Mortgage loan which will be applied to the Lending Institution origination fee, closing costs, prepaid items, temporary buydowns and/or downpayment assistance for conventional loans and limited to 2% ("Downpayment and Closing Cost Assistance"). [This paragraph will need to be revised to reflect the ultimate decision regarding Housing Corporation origination and servicing of loans.]

Eligibility

The Home Mortgage loans must comply with the terms of the Act, Section 143 of the Code, the rules and regulations adopted by the Housing Corporation, the Indenture, the Mortgage Purchase Agreements and the Program. In general terms, each Home Mortgage loan must be made to a Mortgagor (i) who intends to occupy the Home financed by such Home Mortgage loan as such Mortgagor's principal place of residence [within 60 days after the Closing Date of such Home Mortgage loan and for a minimum of two years and who has no intention to, and has not entered into any arrangement to, rent, sell, assign or transfer the Home,] (ii) who has not had a present ownership interest in a principal residence for the three years preceding the [closing date of the application for purchase of a unit developed under the Act], (iii) [who has not had a prior mortgage loan (whether or not paid off) (other than a construction period loan, bridge loan or similar temporary initial financing with a term of 24 months or less) on such home at any time prior to the execution of the Home Mortgage loan,] and (iv) whose Household Income (as determined for the purposes of the Program) is below the applicable limit set forth in the Mortgage Purchase Agreements. The income limitations contained in the Mortgage Purchase Agreements are set forth below:

(1) With respect to Homes located in other than Targeted Areas, each Home Mortgage loan will be made to a Mortgagor whose Household Income does not exceed, in the case of a Home where the Mortgagor will be the first occupant, [the lesser of]:

(a) 115% of (i) statewide median family income or (ii) median family income for such area ("Federal Law Base Income") in the case of a family of three or more individuals and 100% of Federal Law Base Income in the case of a family of fewer than three individuals; and

(b) [Guam requirement or Housing Corporation requirement]

With respect to Homes where the Mortgagor will not be the first occupant, a Mortgagor's Household Income shall not exceed the lesser of:

(a) 115% of Federal Law Base Income in the case of a family of three or more individuals and 100% of Federal Law Base Income in the case of a family of fewer than three individuals; and

(b) [Guam requirement or Housing Corporation requirement];

(2) With respect to Homes located in Targeted Areas, each Home Mortgage loan shall be made to a Mortgagor whose Household Income does not exceed, in the case of a Home where the Mortgagor will be the first occupant, [the lesser of]:

(a) 140% of Federal Law Base Income in the case of a family of three or more individuals and 120% of Federal Law Base income in the case of a family of fewer than three individuals; and

(b) [Guam or Housing Corporation requirement]

With respect to Homes where the Mortgagor will not be the first occupant, a Mortgagor's Household Income shall not exceed the lesser of:

(a) 140% of Federal Law Base Income in the case of a family of three or more individuals and 120% of Federal Law Base Income in the case of a family of fewer than three individuals; and

(b) [Guam or Housing Corporation requirement];

provided, however, that with respect to one-third of the amount used to finance Home Mortgage loans on Homes located in Targeted Areas, the Federal Law Base Income limitations may be disregarded.

In addition, the Acquisition Cost of the Home cannot exceed 90% of the Average Area Purchase Price of the area in which the Home is located (110% if the Home is located in a Targeted Area).

As of the date hereof, the Mortgagor Household Income limit for the Program is [\$54,400] for families of one or two and [\$62,560] for families of three or more, provided that the Mortgagor Household Income limit for one-half of the aggregate amount of existing homes financed is \$ _____. Higher Mortgagor Household Income limits apply in Targeted Areas.

As of the date hereof, the Maximum Acquisition Cost figures applicable to the Program are as follows:

Non-Targeted Areas		Targeted Areas	
New Homes	Existing Homes	New Homes	Existing Homes
\$ _____	\$ _____	\$ _____	\$ _____

[This section will need to reflect eligibility requirements under Guam law.]

Home Mortgage Loans

All Home Mortgage loans shall (i) be secured by a mortgage creating a lien on a Home, (ii) qualify under one of the programs described in the following subparagraph, (iii) be eligible to be grouped together in mortgage pools to back FHLMC Securities, for purchase by the Trustee, (iv) bear interest at _____% per annum and (v) have a maturity of not more than 30 years and a final maturity date of not later than _____, 20____. [Each Home Mortgage must be a conventional mortgage eligible for purchase under the FHLMC Guarantor Program. The Home Mortgage loans are assumable but only if certain conditions have been met.]

All Home Mortgage Loans shall provide for level payment amortization of principal and interest, with payments due on the _____ day of each month. Payments of principal and interest shall commence not later than the _____ day of the second calendar month following the Closing Date. Interest shall be paid in arrears.

Purchase of Securities

Pursuant to the Mortgage Purchase Agreements, the Trustee will purchase from the Housing Corporation and the Lending Institutions FHLMC Securities backed by Home Mortgage loans which have been sold by the Housing Corporation and the Lending Institutions to FHLMC in exchange for such FHLMC Securities. The Trustee will purchase FHLMC Securities from the Housing Corporation and the Lending Institutions for a purchase price equal to _____% of the outstanding principal amount thereof.

Recycling

Recoveries of principal on FHLMC Securities (by reason of scheduled principal amortization, prepayment or foreclosure) may be applied to the origination of additional Home Mortgage loans upon satisfaction of certain conditions precedent described herein under "SUMMARY OF PRINCIPAL DOCUMENTS--The Indenture--Mortgage Loan Recycling Fund."

FHLMC MORTGAGE PARTICIPATION CERTIFICATES

General

The following summary of the FHLMC Guarantor Program, the FHLMC Securities and FHLMC's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to FHLMC's Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, FHLMC's Information Statement, any Information Statement Supplements and any other documents made available by FHLMC. Copies of these documents can be obtained by writing or calling FHLMC's Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (800-336-FMPC). The

Housing Corporation does not and will not participate in the preparation of FHLMC's Mortgage Participation Certificates Offering Circular, Information Statement or Supplements.

FHLMC

FHLMC is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended (the "FHLMC Act"). FHLMC's statutory mission is (i) to provide stability in the secondary market for residential mortgages, (ii) to respond appropriately to the private capital market, (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities), and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of FHLMC.

FHLMC Guarantor Program

FHLMC has established a mortgage purchase pursuant to which FHLMC purchases a group of mortgages from a single seller in exchange for FHLMC Securities representing an undivided interest in a pool consisting of the same mortgages (the "Guarantor Program"). FHLMC approves the institutions that may sell and service mortgages under the Guarantor Program on an individual basis after consideration of factors such as financial condition, operational capability, mortgage origination and/or servicing experience. Most sellers and servicers are HUD-approved mortgagees or FDIC-insured financial institutions.

FHLMC Securities

FHLMC Securities will be mortgage pass-through securities issued and guaranteed by FHLMC under its Guarantor Program. FHLMC Securities are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each FHLMC Security represents an undivided interest in a pool of mortgages. Payments by borrowers on the mortgages in the pool are passed through monthly by FHLMC to record holders of the FHLMC Securities representing interests in that pool.

Payments on FHLMC Securities begin on or about the fifteenth day of the first month following issuance. Each month, FHLMC passes through to record holders of FHLMC Securities their proportionate share of principal payments on the mortgages in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for FHLMC Securities is determined by subtracting from the lowest interest rate on any of the mortgages in the pool the applicable servicing fee and FHLMC's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under FHLMC's Guarantor Program must fall within a range from the pass-through rate on the FHLMC Securities plus the minimum required servicing fee through the pass-through rate plus 250 basis points.

FHLMC guarantees to each record holder of an FHLMC Security the timely payment of interest at the applicable pass-through rate on the principal balance of the holder's FHLMC Securities. FHLMC also guarantees to each holder of an FHLMC Security (i) the timely payment of the holder's proportionate share of monthly principal due on the related mortgages, as calculated by FHLMC, and (ii) the ultimate collection of the holder's proportionate share of all principal of the related mortgages, without offset or deduction, no later than the payment

date that occurs in the month by which the last monthly payment on the FHLMC Securities is scheduled to be made.

FHLMC may pay the amount due on account of its guarantee of ultimate collection of principal on a mortgage at any time after default, but not later than 30 days following (i) the foreclosure sale of the mortgaged property, (ii) if applicable, the payment of an insurance or guaranty claim by the mortgage insurer or guarantor or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will FHLMC make payment on account of this guarantee later than one year after an outstanding demand has been made on the borrower for accelerated payment of principal or for payment of the principal due at maturity.

The obligations of FHLMC under its guarantees of the FHLMC Securities are obligations of FHLMC only. The FHLMC Securities, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than FHLMC. If FHLMC were unable to satisfy its obligations under its guarantees, distributions on the FHLMC Securities would consist solely of payment and other recoveries on the related mortgage; accordingly, delinquencies and defaults on the mortgages would affect distributions on the FHLMC Securities and could adversely affect payments on the Bonds.

Mortgage Purchase and Servicing Standards

All mortgages purchased by FHLMC must meet certain standards established by the FHLMC Act. In addition, FHLMC has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. These guidelines are designed to determine the value of the real property securing a mortgage and the creditworthiness of the borrower. FHLMC's administration of its guidelines may vary based on its evaluation of and experience with the seller of the mortgages, the loan-to-value ratio and age of the mortgages, the type of property securing the mortgages and other factors.

FHLMC has also established servicing policies and procedures to support the efficient and uniform servicing of the mortgages it purchases. Each servicer must perform diligently all services and duties customary to the servicing of mortgages in a manner consistent with prudent servicing standards. The duties performed by a servicer include collection and remittance of principal and interest to FHLMC; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. FHLMC monitors servicers' performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage, FHLMC may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage and when to initiate such measures, FHLMC seeks to minimize the costs that may be incurred in servicing the mortgage, as well as FHLMC's possible exposure under its guarantees. However, the measures that FHLMC may choose to pursue to resolve a default will not affect FHLMC's guarantees. In any event, FHLMC generally repurchases from a pool any mortgage that has remained delinquent for at least 120 consecutive days and makes payment of principal to record holders pursuant to FHLMC's guarantee of ultimate collection of principal.

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Agreements. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture and the Agreements to which reference is hereby made.

[To Come]

THE COMPLIANCE AGENT

_____ will act as the Compliance Agent for the Program. _____ will monitor each Lending Institution's compliance with certain of the Home Mortgage loan eligibility requirements described in the Mortgage Purchase Agreements, including notifying each Lending Institution of any changes in qualifying household income or purchase price figures.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming (among other matters) compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon is exempt from taxation by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix __ hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Housing Corporation has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds. In addition, Bond Counsel calls attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations of legal remedies against public agencies in the Territory of Guam.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and the Bonds and the interest thereon are exempt from taxation by any state or territory of the United States or any political subdivision thereof or the by the District of Columbia, the accrual or receipt of interest on such Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and

the Bondholder's other items of income of deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

NO LITIGATION

On the date of issuance of the Bonds, the Housing Corporation will deliver a certificate to the Underwriters to the effect that there is no proceeding or litigation of any nature then pending to restrain or enjoin the issuance of the Bonds, or in any way contesting or affecting the validity of the Bonds, the proceedings of the Housing Corporation taken with respect to the remarketing thereof, the pledge or application of any moneys or securities provided for the payment of the Bonds, the existence or powers of the Housing Corporation or the title of any officers of the Housing Corporation to their respective positions.

RATING

[Standard & Poor's] has assigned a rating of "___" to the Bonds.

Such rating reflects only the view of the rating agency at the time such rating is given, and the Housing Corporation makes no representations as to the appropriateness of the rating. An explanation of the significance of such rating may be obtained only from Standard & Poor's. Certain information and materials not included in this Official Statement were furnished to the rating agency. Generally, a rating agency bases its rating on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by such rating agency. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of said rating agency, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of owners or beneficial owners of the Bonds any proposed revision or withdrawal of any rating on the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

APPROVAL OF LEGALITY

Certain legal matters relating to the authorization, issuance, sale and delivery of the Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix ___ hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., Los Angeles, California.

CONTINUING DISCLOSURE

The Housing Corporation has covenanted for the benefit of Owners of the Bonds or beneficial owners of the Bonds to provide certain financial information and operation data relating to the Housing Corporation not later than [180] after the end of each fiscal year of the Housing Corporation, commencing with a report for the Housing Corporation ending ___, 199_ (the "Annual Bond Disclosure Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Bond Disclosure Report will be filed with each Nationally Recognized Municipal Securities Information Repository (and with the State Repository, if any). The notices of material events will be filed with the Municipal Securities Rulemaking Board (and with the State Repository, if any). The specific nature of the information to be contained in the Annual Bond Disclosure Report or the notices of material events is set forth in the Continuing Disclosure Agreement, a copy of the form of

which is set forth in Appendix __. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

UNDERWRITING

The Bonds will be purchased from the Housing Corporation by the Underwriters, under a Bond Purchase Agreement pursuant to which the Underwriters agree, subject to certain conditions, to purchase all of the Bonds at a purchase price equal to 100% of the aggregate principal amount thereof. The Underwriters will be paid a fee of \$ _____ in connection with the sale of the Bonds. The initial public offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriters.

MISCELLANEOUS

The references herein to the Bonds and the Indenture and other documents described herein are brief outlines of certain provisions thereof. Such outlines do not purport to be complete or definitive and reference is made to such documents for complete and definitive statement of such provisions. The agreements of the Housing Corporation with the holders of the Bonds are fully set forth in the Indenture, and this Official Statement is not to be construed as a contract with the holders of the Bonds. To the extent that any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated as such, they are intended merely as such and not as representations of fact.

GUAM HOUSING CORPORATION

By _____
[TITLE]

APPENDIX

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX _
PARTICIPATING LENDERS

APPENDIX _

LARGEST MORTGAGE BANKERS
(ranked by dollar volume of loans
in the Territory of Guam in 199_)

APPENDIX _

FORM OF CONTINUING DISCLOSURE AGREEMENT

August 08, 1997

TO: SENATOR ANTHONY BLAZ
FROM: JOSEPHRON B. RIVERA
RE: SUPPORT FOR MORTGAGE REVENUE BOND BILL


Dear Senator Blaz,

I had been given information about this MORTGAGE REVENUE BOND BILL from the Guam Housing Corporation and wish to give my support for the passing of this bill.

My family and I have long awaited the chance to own a home of our own and with the passing of this bond bill, we are hoping that it would make what we have as a dream come true for us. My wife and I have both lived on Guam for 30 years (being of Chamorro decent) and we were both not fortunate enough to have land of our own. We do, however, wish to have a place for our family to live.

We strongly believe that only good things can happen from the passing of the MORTGAGE REVENUE BOND BILL. We are hoping that it will. Therefore, we are asking you to help us make that dream come true by supporting this bill. Your support will be greatly appreciated. Thank you and have a nice day.

Best Regards,


Josephron B. Rivera

**GUAM HOUSING CORPORATION
TESTIMONY ON BILL NO. 149
JAMES G. SABLAN, PRESIDENT**

Mr. Chairman and members on the Committee on Finance and Taxation. Hafa Adai. My name is James G. Sablan, President of Guam Housing Corporation. On behalf of the Board of Directors of the Corporation we are submitting our testimony in support of bill #149. An act to approve the terms and conditions of GHC's Single-Family Mortgage Revenue Bond.

The mission of the Corporation is to create and preserve sustainable communities through innovative financing and development by promoting private investment in affordable housing programs for the people of Guam.

GHC has expressed a need to make funds available to satisfy the acute demand for low and moderate income housing on Guam. While the Corporation wishes to make mortgage loans available for a variety of properties on Guam, GHC intentions is to also develop and expand the housing stock on the island through the construction of the Lada Estates Affordable Housing as mandated in Public Law 20-225.

After careful analysis with GEDA and GHC, we have concluded that the most cost effective way to make mortgage funds available for the present housing stock and provide the financing mechanism for the Lada Estate housing project is to issue tax-exempt Single-Family bond.

The Bond issue is not only affordable to the borrower but also very attractive to the private lending institutions as they will be participants in the origination and servicing of these loans.

The bonds will be structured to assist the low to moderate income families that are first time homeowners. The dwelling units must be owner occupied and mortgagor's principal place of residence. We anticipate the bond to be rated a triple A by Standard and Poors or Moody's thus providing a below market interest rate to the consumer. The characteristics of the loan is a 30 year, level payment, first lien, fixed rate mortgages. The mortgagor will be required to provide a 5% down payment to purchase or construct their new home. All these parameters makes this financing program very affordable.

In the 1980s, an average of about 700 new units were added annually to Guam's housing stock. From the years 1990 to 1993, an average of 850 were built annually. In 1994, the number of units dropped to 739, in 1995 the number of units is 604, and in 1996 the number

dropped even lower to 575 units. The drastic reduction in the number of new homes built on Guam can be attributed to the growing cost of houses. The median value of housing on Guam grew by an unbelievable 127 percent from \$57,600 in 1980 to \$130,500 in 1990. In 1995 it skyrocketed to \$179,500.00

In 1993, the Urban Institute conducted a study on Guam's housing needs and concluded that Guam was home to an estimated 36,658 households. The projection for 1998 is 42,864 household an increase of 3% growth per year. Of these 46% or 16,860 household owned their own homes. The remaining 54% or 19,798 household were in the rental market. Excluding the "very low" income class of 5,159 this meant that over 14,000 were potential home owners.

This tendency to rent homes on Guam is not necessarily an indication that people are unwilling to buy homes. It is an indication that they are unable to do so. Home ownership on Guam would be higher in demand if it were made more affordable.

Increased home ownership on Guam will have countless benefits. Homeownership generates benefits for both the individual and the island as a whole. The numerous benefits of homeownership have wide and far-ranging effects, as mentioned earlier home ownership will lead to financial security, increase personal pride, improve communities on Guam and most importantly foster economic growth.

The window of opportunity is fast approaching. Present interest rates are very attractive and the down payment is much more affordable to the low and moderate income families. The majority bond proceeds will be used primarily for the Lada Estate housing project and the remaining funds to other Government sponsored projects such as the Land for the Landless program. The demand for affordable housing programs will be met and approximately 500 families would realize their dream of owning their own home.

In closing, the passing of this legislation will not only benefit the low and moderate income families and the private lending institutions, it will also provide job opportunities for the people on Guam. The issuance of the Single-Family Mortgage Revenue Bond can materialize only with your support. We humbly ask for your favorable consideration in helping our local families in realizing their dream for homeownership.

**Testimony On Bill 149(Cor) before the Twenty fourth
Guam Legislature Committee On Finance And Taxation
Submitted by Edward Untalan, Acting Administrator of the
Guam Economic Development Authority
Submitted April 2, 1997**

Good Morning Mr. Chairman (Senator Tony Blaz); Members Of The Committee On Finance And Taxation, Ladies And Gentlemen.
For The Record My name is Edward Untalan, and I am the Acting Administrator Of The Guam Economic Development Authority.

On Behalf Of The Authority And Its Board Of Directors, I Would Like To Thank You For Allowing Me The Opportunity To Testify On Bill 149, An Act To [*Amend Section 4101, Subsection (A) Of Section 4104, Subsection (M) Of Section 4104, Section 4105, Section 4106 And Section 4214, To Add A New Section 4103.5, Subsection (N) Of Section 4104 And Section 4106.1, And Add A New Article 6, All To Title 12, Gca, And*]To Approve The Terms And Conditions Of The Issuance Of Up To sixty three million (\$63,000,000) dollars Of Mortgage Revenue Bonds Of The Guam Housing Corporation, And To Amend Sections 4,7,8,10 And 13 Of P.L. 20-225 Relative To The Lada Estates Affordable Housing Project.

Attached With My Testimony Is A Copy Of Geda's And GHC's Presentation Which Provides A Brief Overview Of The Program And The Issuance Process At The Conclusion Of My Testimony.

As GEDA's enabling statute directs the Agency to be the primary catalyst in the economic development of Guam, we are obligated to provide the island's leaders with our comments on the potential impact of the proposed legislation may have in fulfilling its charter and mission. As Government's Central Financial Manager, we are obligated to assist in the creation of the

supply of money available to finance housing construction and for mortgage financing. With the passage of Bill 149, we begin to accomplish these goals.

Bill 149 provides a mechanism that accomplishes five major affordable housing objectives:

1. The creation of a supply of money that will be used for mortgage financing at lower than conventional rates;
2. The construction of 400 affordable single family homes earmarked at low and moderate income families;
3. The complete implementation of the Lada Law to accommodate low income households, specifically those that cannot afford to own a home
4. The reintroduction of private mortgage insurance back into the Territory
5. And with the existing structure that we will present to you today, the elimination of risks associated with interest rates and non-origination calls.

The Housing Study completed in 1993 disclosed a shortage of approximately six to seven thousand homes. Thus, for nearly a year and a half, both the GHC and GEDA have been working closely in designing an issue that will begin to address this shortage. The original structure was a standard mortgage revenue issue where it was insured by FHA and wrapped with a GNMA guaranty. This structure normally gives the rating agencies enough security to grant these issues a AAA rating.

Geda Strongly Supports The Legislative Findings Of The Bill As It Will Allow The Guam Housing Corporation The Flexibility It Needs To Proceed With Financing Mortgage Loan Programs That It Is Enabled By Law To Do.

Members Of The Committee, I Think That You Will Agree That There Is A Demand For Affordable Housing. Passage Of This Bill Will Help Implement A Lower Cost Of Financing Program For A "Gap Group" family household Which Finds It Difficult To Obtain Financing: The Low To Moderate Income Group.

Geda Further Feels That Through The Issuance Of Mortgage Revenue Bond (MRBs), Everyone Participating Will Benefit. The Participants Include The Homeowner, Who Will Be Able To Acquire A House With Low Interest Financing; Locally Licensed Lending Institutions, Who By The Way, Will Be The Only Ones Who Can Originate Mortgages Under This Program, Receive Origination Fees And Closing Costs; And The Construction Sector Of The Economy, Who Will See A Demand For Their Services When The Lada Estates Affordable Housing Project Gets Started.

The MRBs Will Not Contribute To The Government Of Guam's General Obligation Debt, That Is, The Bonds Will Have An Identified Repayment Source, Namely The Principal And Interest Payments That Homeowners Will Make To Their Lender. Thus, The Mrbs Will Not Be Dependent On The "Full Faith And Credit Of The Government Of Guam" Like Most General Obligation Debt Is. These Will Be More Similar To The Guam Power Authority Revenue And Guam Airport Authority Revenue Bonds Issued A Few Years Ago. However, Unlike These Two Previous Revenue Bond Issuances, Mrbs Have Unique Features All Their Own Such As Mortgage Insurance Provisions And Mortgage Pass Through Features.

In Conclusion, Geda Feels That The Benefits Of The Issuance As Well As The Financing Program Outweigh The Costs. I Think We All Agree That There Is Demand For Affordable Housing For Our People. Passage Of This Bill Will Help Make It Become A Reality. Therefore, We Support And Urge You To Support The Passage Of This Bill.

Date: April 2, 1997

To: Honorable Tony Blaz, Senator Twenty-Fourth Guam Legislature and
Chairperson, Committee on Finance and Taxation

From: Tony Artero, REALTOR®

RE: Testimony on Finance and Taxation Hearing 9:00 A.M. April 2, 1997

Honorable Chairman and Honorable Members of your committee:

Taxation without representation is the story of my life in this lovely island paradise. My parents and grandparents who have gone before us, have similarly paid taxes and we have all been denied our economic freedoms to this very day by the authorities of our government at both levels.

It is action such as this that prevents the implementation of a comprehensive and holistic land use plan for sustainable development in harmony with the environment. The total disregard to the fundamental to life, liberty, and the pursuit of happiness, and the blatant violations of Private Property Rights, are also the reason other public services are reaching Crises Proportion. No one is seriously doing anything, but we generally hear plenty of hot air. Democracy in Guam is in Comatose. Comatose economic condition is the status quo.

We are riddled with authoritarian, corrupt, and antidemocratic processes. How much longer, how many more generations, how many more World Wars and other wars must we fight to gain our economic freedoms? Why is it that self-reliance is virtually abolished and dependency in bad government is in? Are we waiting for an uncontrollable civil disobedience before we address the problem?

The key players of our government have been notoriously immersed in conflict of interest, collusion, breaching civil liberty, and governing selectively for votes. All these can be found in the use of the land in Guam, not to mention nepotism in government. The actions of the power brokers, at both levels, have been to divide and conquer the working class. Along with the runaway white collar crimes, taxes, fees, and even heinous crimes have all increased, and, murderers are running around free. New laws and regulations are self-serving, counterproductive, and indisputably damaging. The conditions in our island community speak for themselves. Simply put, it is taxation without representation at its max.

"Nothing is so easy as to deceive oneself; for what we wish, that we readily believe."

- Demosthenes (384-322 B. C.) Greek orator.

At the present, the authorities believe: 1) The I Tano'-Ta **Land Use Plan** - But, the so-called plan is not a plan for sustainable development in harmony with the environment. Instead, it calls for more helter skelter development. Believe it or not, the situation today, islandwide, offers only short term politically motivated incentive, which promise quick return, but only for a few, and in the long run achieve little. We are not interested in supermarket tourism. We are not interested

in uncontrollable development that threatens our environment and our tropical paradise image. You want investors that are committed to the market not to the investment. Our government must concentrate its energies on getting the fundamentals right. That is the only true way to get sustain growth. 2) The Waste Disposal Contract - It is to enrich certain individuals. And, opening another landfill dumpsite is no solution either. 3) The Hospital - Like all the other departments and agencies, they are merely vote generating entities. 4) The School - Like Private Property Rights have become political hot potatoes. 5) Our Security and Safety on the streets, in businesses, and even in our homes - Virtually not available, but there's wildlife refuge for the brown tree snakes.

In closing, some things, however, need to be reiterated lest we forget. Looking back at where we were before WWII, Guam was self-reliant. Back then the center of concerns is the life of every human being, including that of the unborn. Family size was around six or more children without governmental assistance in housing, much less foodstamps, welfare, and grants. Guam before the war was well on its way to a sustainable human habitat development for families, businesses, and the industries with little or no pollution problem to speak of. It is for that reason, we not only fed ourselves and although by force, nonetheless, we also fed the Japanese Army during WWII without a single shipment of imported food and nobody died from starvation. Sergeant Yokoi survived an additional 25 years after the war on Guam, also without governmental assistance of any kind because no government prevented him from using the land. Ladies and gentlemen, that confirms that our social economic dilemma has everything to do with modern day politics.

Attached to this testimony is copy of the "Claim of Interest" my wife and I have filed with the Department of Revenue and Taxation on seven (7) different properties we sustain heavy damages due to government restrictions.

Didok na Si Yuus Maase Senator Blaz and members of your committee for the opportunity to speak and for your attention.

Biba Hustia, Biba to the end of poverty and welfare, Biba for Individual Economic Freedoms.
Biba taotao Guam. Si Yuus Maase

Dec 31 4 39 PM '96

Claim of Interest

THIS INSTRUMENT IS MADE ON THIS 31st day of December, 1996 by Antonio T. Artero and Mildred D. Artero whose mailing address is P. O. Box 988, Agana, Guam 96932.

Whereas the following listed privately owned real properties below have various problems associated with government restrictions both physical and political in nature without compensation.

<u>Lot No</u>	<u>Location</u>	<u>Problem</u>
1) Lot # 11-3	-Agana Heights	-PUAG pipes buried in the ground and Road encroachment.
2) Lot # 10060-REM-6-1	-Toguac/NCTAMS	-GTA Cables buried in the ground and Aviation Gas Pipe Lines traveling through the length of the property above ground.
3) Lot # 124-2	-Inarajan	-Recent Public Works activity on the road damaged the property boundary marker. PUAG pipes are buried in the ground.
4) Lot # 3073-1	-Agana Heights	-Landlocked by the Aviation Gas Pipe Lines.
5) Lot # 3059-9	-Agana Heights	-PUAG Sewage Pipe Line buried at one corner of the property.
6) Lot # 289-	-Asan	-GHURA's Urban Renewal Project Landlocked the remainder after the taking.
7) Lot # 10080	-Urunao	-Government's taking Landlocked the remainder. The 28 Hectares taken was without compensation. The landlocked remainder was used as a dump site.

NOW, THEREFORE, the recitals stated above by Antonio T. Artero and Mildred D. Artero declares the following:

1. That we are the land owners or the heirs of the estate of the original land owners either individually or collectively maintain a meritorious legal claim and title to areas of land previously described.

2. That original land owners or heirs of their estate have never been compensated for the punitive, physical, and financial damages resulting from government restrictions both physical and political in nature for the areas of land previously described.

We, Antonio T. Artero and Mildred D. Artero, have hereunto set our hand and affixed our signatures the day and year first above written.



Antonio T. Artero



Mildred D. Artero

13 May 1997

qc-353

TESTIMONY IN REGARDS TO BILL 149
JOE CRUZ, PRESIDENT, (ACTING)
GUAM HOUSING CORPORATION

Mr Chairman and members of the Committee on Finance and Taxation, first I would like to apologize for the absence of Mr. James G. Sablan, President of Guam Housing Corporation who is currently off-island. On behalf of the Board of Directors, Management and Staff of the Corporation I wish to submit a testimony in support of amending section 6 of Public Law 20-225 as reflected herein.

Public Law 20-225, section 6, mandates that the off-site infrastructure for the proposed Lada Estates project, an amount of approximately \$ 3.5 mil would be born by the Government of Guam.

If the Government cannot provide the necessary funding then Guam Housing Corporation proposes that it either borrow the funds necessary from the General Fund with a term of five years without interest or to be funded from the Mortgage Revenue Bond proceeds. This cost would then be passed on to the prospective homebuyer. Whichever proposal is acceptable the Law would have to be amended.

Under this proposal the price of each unit would increase by approximately \$ 8,750.00.

The success of this most important and much needed affordable housing program is dependent on reaching a conclusion on this issue.

The off-site infrastructure has to be completed at the onset of this project, financing has to be in place; this development will be completed in phases of 25% which when sold could account for a proportionate share of this cost.

A breakdown of the proposed sources of funding is as follows:

Funding for the Lada Estates program:

	Option # 1	Option # 2
FHLB	\$ 18,500,000	\$ 18,500,000
MRB	28,116,699	31,616,699
Gen Fund	<u>3,500,000</u>	<u>0</u>
Total	\$ 50,116,699	\$ 50,116,699

With the cost of Lada at appx \$ 46,616,699 plus 3.5 mil for infrastructure the total would be \$ 50,116,699

Any additional funds derived from the Mortgage Revenue Bond could be utilized in other mortgage issues to include the sub divisions supporting the Land for the Landless programs.



GHURA

Guam Housing and Urban Renewal Authority

P.O. Box CS, Agana, Guam 96910 • Phones (671) 477-9851 to 4 • Fax (671) 477-4184 • TDD No. 472-3701



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Governor

Madeleine Z. Bordallo
Lieutenant Governor

Taling M. Taitano
Executive Director

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DEC 11 1996

The Honorable Joe T. San Agustin
Chairman, Committee on Economic-Agricultural
Development and Insurance
Twenty-Third Guam Legislature
424 West O'Brien Drive
Julale Shopping Center, Suite 218
Agana, Guam 96910

Dear Senator San Agustin:

The following are my comments on Bill 778.

Homeownership has increasingly slipped out of reach for the low-and moderate-income household. I strongly believe Bill 778 is an important milestone in the march toward homeownership. However, this Bill should also address cutting the costs of homeownership including financing and transaction costs and fees, to make homeownership more affordable and simplify the home buying process to make it easier to purchase or build a home for the low-and moderate-income families. Owning a home serves as one of the main symbols of social success and is a primary aspiration for most people.

Bill 778 will also help generate jobs and stimulate economic growth. It will create economic prosperity due to its strong job multiplier effect and because increased housing starts and home sales represent renewed economic confidence. It will help restore economic stability to our island.

Increasing the supply of affordable housing has been the focus of government efforts since 1990. The thrust of these efforts have focused on providing improved subdivision lots to qualified buyers at below fair market, usually \$2,500 per lot. A total of eight government subdivisions have been authorized through various public laws.



The Honorable Joe T. San Agustin
Bill 778
Page Two

Project Name	Location	Total Lots
Astumbo Subdivision (GHURA)	Dededo	503
Dededo (DLM)	Dededo	165
Lada Estates (GHC)	Dededo	399
As-Lucas "Land for the Landless"	Talofofu	222
Umatac "Land for the Landless"	Umatac	241
Ija "Land for the Landless"	Inarajan	305
Pigua "Land for the Landless"	Merizo	132
Total Authorized Lots		1,967

The Department of Public Works estimates that it will cost approximately \$20,000 per lot (\$7.98 million total) for the infrastructure improvements in the Lada Estates subdivision. This cost will be recovered through the sale of the residential units at prices ranging from \$64,260 to \$98,000.

Experiences with the As-Lucas and Astumbo subdivisions show that to simply provide improved house lots, at below fair market value, does not always mean that the families will be able to construct their homes on a timely manner. Selling a complete package, improved lot and house, as proposed with the Lada Estates subdivision should be the approach we take in all future government sponsored subdivisions.

Funding for the Pigua and Ija subdivisions have been identified. However, the funding will only cover infrastructure improvements. We recommend that the development approach for these two "Land for the Landless" subdivisions be revised to include the total development of both the infrastructure and the houses following the Lada Estates model. Existing identified funding sources for Pigua and Ija can be combined with mortgage revenue bond financing to include the purchase of a house and improved lot rather than just a purchase of an improved lot. This is an option we should present to the families who have been selected for these subdivisions.



The Honorable Joe T. San Agustin

Bill 778

Page Three

Overall, Bill 778 will be good for Guam. The construction of affordable homes is seriously needed to improve the quality of lives for our people and issuance of the bond will be viable to the economy. The Revenue Bonds will provide families a place to live and raise children and invest in an asset that can grow in value. It will enable families to have a greater control and exercise more responsibility over their living environment. It will stabilize neighborhoods and strengthen communities. It will create economic prosperity for families and communities and act as dynamic generator of economic growth. It will create jobs directly related to construction, and many more jobs through increased demand for household goods and services. I believe this Bill will help achieve an all-time high level of homeownership in Guam.

In closing, I would like to thank you for giving me the opportunity to submit my written testimony on Bill 778.

Sincerely,


TALING M. TAITANO
Executive Director



April 1, 1997

Edward Untalan
Guam Economic Development Authority
ITC Building, Suite 909
590 South Marine Drive
Tamuning, Guam 96911

Dear Ed:

We understand there is a hearing today regarding the \$63 million GHCMRB issue.

As you know, we have closely worked with GEDA, GHC and Smith Barney regarding the structure of this issue. Our main concern has been that the issue meet both the supply and demand for the territories affordable housing needs. As the GHC affordable housing study indicates the housing supply lags the demand and therefore dictates that the issue be structured to eliminate the risk of non origination and any interest rate fluctuations.

By using the COB structure proposed we will not utilize funds until the supply is available. Furthermore, as a Freddie Mac MBS structure the bonds will be rated triple A, which will result in a lower interest rate on the bonds, which equates to a lower interest rate to the home buyer. We are comfortable that this structure will minimize any exposure for the territory. Therefore, we recommend that OHC go forward with this bond issue.

If you or the legislatures have any further questions, please feel free to call me or Bob Foggio at any time.

Sincerely,

Margaret Guarino
Principal

SMITH BARNEY

A Member of *TravelersGroup*

TO: Guam Housing Corporation
FROM: Smith Barney Inc.
RE: Update on Freddie Mac
DATE: May 2, 1997

As communicated to you earlier, Freddie Mac has indicated that their commitment to offer mortgage securitization for Guam Housing Corporation's proposed issue of mortgage revenue bonds will no longer be valid if the financing is not approved by the legislature prior to June 15, 1997. As you are aware, Freddie Mac required an extensive sales pitch as to why they should commit to GHC's financing. They were very worried about the concentration risk and the delinquency performance of Guam mortgage loans. Although they committed to securitize GHC's issue in December 1996, the long period of time it has taken to obtain final legislative approval has increased their anxiety.

The Freddie Mac pledge is very valuable to GHC. By securitizing the mortgage loans into Freddie Mac mortgage backed securities ("MBS"), the financing will obtain a "AAA" rating. If the issue is not done as a MBS structure, the rating agencies have indicated that they would require substantial overcollateralization from GHC. This would be expensive for the Corporation and would likely result in only an "A" rating for the issue which in turn would increase GHC's borrowing cost and resultant mortgage rate to program borrowers).

We believe that the proposed Freddie Mac structure offers GHC its best alternative to provide a very attractive mortgage product at minimal risk to the Corporation. This structure also draws upon a minimal amount of financial support from the Corporation.

We would be happy to furnish any additional information the Senators require. Please advise us if there is anything we can do to expedite the legislative approval.

Post-it Fax Note 7677

To **SENATOR ANTHONY C BLAZ**
 Company **CHAIRMAN, COMMITTEE ON FINANCE...**
 Location

Fax # **472 3577 62**
 Comments

No. of Pages **2** To **1:14** Time **10:50**
 From **ED UNTALAN**
 Company **GEDA**
 Location
 Fax # **649 4146**
 Original Deleted Return Call for pickup



GUAM

ECONOMIC DEVELOPMENT AUTHORITY

August 14, 1997

An Autonomous Agency of the Government of Guam, USA



Senator Anthony C. Blaz
 Chairman, Committee on Finance and
 Taxation
 155 Hesler Pl.
 Guam Legislature
 Agana, Guam 96910

Dear Senator Blaz:

This letter is to ascertain the status of the Legislative Session anticipated for August. It is our understanding that the session has been moved back to September, though I have not yet received official news from the Legislature or indirectly via the media.

As you are well aware, the Authority has been working diligently on the Guam Housing Corporation Mortgage Revenue Bonds (MRB). We have been working under the assumption that this issue is of a high priority to the Legislature because of the need for affordable housing to the low to moderate income group.

It is unfortunate that the proposed legislation will have to be deferred until next month. We had made assurances to Freddie Mac that the proposed legislation was going to be debated this month. In fact, you had demonstrated your support by sending a letter to Jim Sablan at GHC indicating that the legislation was going to be introduced to the full body in the near future. Unfortunately that may not be case. Furthermore, we had assured Freddie Mac, by reference to your letter that you were supportive of the housing bond and would facilitate its submittal to the August session. We hope this delay will not make them reconsider their support and participation in the program. Freddie Mac's role is a vital part of the bond issue. Without their assistance in securitizing these locally financed mortgages, GHC may have to reconsider the feasibility of issuing bonds.

We want you to know that we appreciate all that you are doing to accommodate the passage of the bill. However, we request your assistance to try to get this bill heard by the Legislature at the earliest opportunity.

Should you have any questions or concerns, feel free to contact me at 647-4303 or fax me at 649-4146.

Sincerely,

ED UNTALAN
 Administrator

*Destination Guam, USA
 Tropical Paradise & Island of Opportunities*

Credit Structure

Mortgage Revenue Bond Issue

- Concerns:
 - Timely payment of principal and interest
 - 100% Asset Coverage at all times

FHLMIC

Mortgages are securitized into Freddie Mac mortgage backed Securities which guarantee timely payment of P&I.

CMAC

All mortgages will be backed by CMAC mortgage insurance covering top 38% of each mortgage.

GHC

CMAC coverage is a risk-share arrangement whereby GHC will be responsible for 3% (\$1.5 million) of total mortgage pool. GHC's obligation will be backed by currently unassigned mortgage loans in GHC's portfolio. GHC will also fund all non-assets of the transaction (~\$1 million) to be reimbursed by an ongoing administrative fee.

HAZARD INS

Required by Freddie Mac, standard earthquake and typhoon coverage.

Fax Transmission

SMITH BARNEY INC.
390 GREENWICH STREET, 2ND FLOOR
NEW YORK, NY 10013
(212) 723-5597
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TO: Ed Untalan/John Guerroro
Jim Sablan
Stan Dirks
Don Hunt
Margaret Guarino/Bob Foggio

DATE: May 5, 1997

FAX #: 671-649-4146
671-477-7409
415-773-5759
213-680-4518
237-2382

PAGES: 18 (including cover)

FROM: Nick Fluehr

SUBJECT: Bond Structure/Cash Flows/Debt Service Summary

COMMENTS:

The following are excerpts from the cash flow book which was sent to Ed Untalan via Fed Ex tonight. I assume the call on Wednesday, May 7th at 9:00 P.M. EST will be originated by GEDA. My home number is 718-268-2786. Please also tie in Alan Goldstein at 212-723-5722.

If you have any questions, if any pages are missing or if copy is illegible, please call Stacey Klein at 212-723-5632.

GUAM HOUSING CORPORATION

\$50,000,000 Single Family Mortgage Revenue Bonds 1997 Series A/B

EXECUTIVE SUMMARY*

Proposed Bond Structure

\$20,000,000
1997 Series A

\$30,000,000
1997 Series B

Serial Bonds Due 1999-2012
Term Bond Due 2016
Super Sinker Term Bond Due 2020
(4-year average life)
Term Bond Due 2028

Convertible Option Bond
to be remarketed/refunded
to long term fixed rates
after two years

	<u>Series A</u>	<u>Series B</u>	<u>Total Series A/B</u>
<i>Mortgage Statistics</i>			
Mortgage Rates	6.90%	6.60%	
Commitment Fees from Lenders	\$200,000	\$300,000	\$500,000
Net Points Paid to Originating Lenders	\$200,000	\$300,000	\$500,000
<i>GHC Earnings</i>			
Final Ending Surplus			
- Expected Case	\$1,893,000	\$2,217,000	\$4,110,000
- 0% FHA Prepayment	\$3,208,000	\$2,471,000	\$5,679,000
Total Administrative Fees to GHC			
- Expected Case	\$549,000	\$818,000	\$1,367,000
<i>GHC Up-front Cash Contribution</i>			
Contribution	\$400,000	\$500,000	\$900,000
Expected Case Reimbursement Date	9/1/2004	9/1/2000	

* Preliminary based on present market rates, bond structure, and fees.

ASSUMPTIONS FOR CASH FLOW ANALYSIS

The following analysis projects the cash flows for the offering of Guam Housing Corporation's 1997 Series A and B Bonds. Together, the issue totals \$50 million. 1997 Series A will consist of a \$20 million long term issue, the proceeds of which will be used to acquire mortgage loans. 1997 Series B will consist of a \$30 million Convertible Option Bond ("COB") issue to be remarketed to long term fixed rates after two years. Rates are based on current market conditions.

It is assumed that the Corporation will contribute funds and/or Freddie Mac MBS to cover costs of issuance and negative arbitrage for 1997 Series A and the initial COB issue for 1997 Series B. For the remarketing of Series B to long-term fixed rates, issuance costs and negative arbitrage are expected to be covered by investment earnings on the COB. The above, together with commitment fees of 1% on the mortgage loans, will allow each issue to begin and remain at parity, as assumed is necessary for a "AAA" rating. Additional asset pledges may be necessary to reimburse CMAC under the Corporation's risk-sharing arrangement.

The Bonds are assumed to be dated and delivered on August 1, 1997. The first interest payment date for both issues is March 1, 1998, with interest paid on a semi-annual basis thereafter. The 1997 Series A and B Bonds have final maturity dates of September 1, 2028 and September 1, 2030, respectively.

Mortgages

- The acquisition period for each issue is assumed to be one year following the issuance of the long term bonds. The mortgage loan characteristics for each issue are as follows.

	<u>Loan Type</u>	<u>Mortgage Rate</u>	<u>Point Structure</u>	<u>Term</u>
1997 Series A	Fixed Rate	6.90%	1 commitment/ 1 lender	360 months
1997 Series B	Fixed Rate	6.60%	1 commitment/ 1 lender	360 months

Note that the mortgage rate for the 1997 Series B issue is 30 basis points lower than that for the Series A. This effect is caused by the reduction in bond yield associated with the short term COBs of the Series B. The Corporation could alternatively create a targeted pool of reduced rate mortgage loans to lower the overall mortgage yield.

- A 30 day lag is assumed on the mortgage payments.
- Non-refundable commitment fees of 1% of the mortgages are assumed to be paid by originating lenders to reduce the required contribution for issuance costs and negative arbitrage for each issue. Upon origination, banks are refunded their up-front commitment fee and paid a 1% origination fee.

Fees

- Servicing

Servicing expenses are assumed to be 25 basis points of loans outstanding paid monthly up-front.

- Administrative

Administrative expenses of the Corporation are assumed to be 25 basis points of loans outstanding paid monthly up-front.

- Freddie Mac

Freddie Mac's fees are assumed to be 25 basis points of loans outstanding paid monthly up-front.

- Trustee Fees

Trustee fees are assumed to be 5 basis points of Bonds outstanding paid semi-annually up-front.

.80

Rates

- The Proceeds Account for each issue is assumed to be invested at 5.55% with interest paid on a semi-annual basis.
- The Capitalized Interest Fund and all ending cash balances for each issue are assumed to be invested at the bond yield with interest paid on a semi-annual basis.

GUA HOUSING CORPORATION
1997 Series A/B
Preliminary Cash Flow Analysis
May 5, 1997

Yield Calculations

	<u>1996 Series A</u>	<u>1996 Series B</u>
MSBTA Bond Yield	6.000805%	5.699644%
Maximum MSBTA Mortgage Yield	7.125805%	6.824644%
MSBTA Mortgage Yield	7.089350%	6.789696%
Cushion	0.036455%	0.034948%

Other Information

- In the analysis for the remarketing of Series B, it is assumed that positive investment earnings on the COB will be used to cover non-assets of the issue. Should the Corporation, however, decide to contribute cash or mortgages to cover such non-assets, the positive investment earnings may be used for other purposes. For example, GHC could fund additional mortgages with such monies, resulting in greater cash residuals to the Corporation.

\$50,000,000
GUAM HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
1997 Series A/B

Sources and Uses (Expected Case)

SOURCES	Series A	Series B	Total Series A/B
Bond Proceeds	\$20,000,000	\$30,000,000	\$50,000,000
Commitment Fees	\$200,000	\$300,000	\$500,000
GHC Up-front Cash Contribution	\$400,000	\$500,000	\$900,000
COB Investment Earnings	\$0	\$3,565,110	\$3,565,110
TOTAL SOURCES	<u>\$20,600,000</u>	<u>\$34,365,110</u>	<u>\$54,965,110</u>
USES			
Acquisition Fund	\$20,000,000	\$30,000,000	\$50,000,000
Capitalized Interest	\$200,000	\$200,000	\$400,000
Expenses	\$400,000	\$600,000	\$1,000,000
COB Investment Earnings	\$0	\$3,565,110	\$3,565,110
TOTAL USES	<u>\$20,600,000</u>	<u>\$34,365,110</u>	<u>\$54,965,110</u>

GUAM HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
1997 Series A
Expected Cash

Production Table

First Interest Payment Date: 3/ 1/1998

	Period	Principal	Coupon	Yield	Price	Production	Bond Years	Takedown	Total
	Ending						Per Bond		Takedown
1	3/ 1/1999	135,000.00	4.6500	4.6500	100.0000	135,000.00	213.750	0.0000	0.00
2	9/ 1/1999	135,000.00	4.6500	4.6500	100.0000	135,000.00	281.250	0.0000	0.00
3	3/ 1/2000	140,000.00	4.8000	4.8000	100.0000	140,000.00	381.666	0.0000	0.00
4	9/ 1/2000	145,000.00	4.8000	4.8000	100.0000	145,000.00	447.083	0.0000	0.00
5	3/ 1/2001	145,000.00	4.9500	4.9500	100.0000	145,000.00	518.583	0.0000	0.00
6	9/ 1/2001	150,000.00	4.9500	4.9500	100.0000	150,000.00	572.500	0.0000	0.00
7	3/ 1/2002	155,000.00	5.0500	5.0500	100.0000	155,000.00	710.416	0.0000	0.00
8	9/ 1/2002	160,000.00	5.0500	5.0500	100.0000	160,000.00	813.333	0.0000	0.00
9	3/ 1/2003	160,000.00	5.2000	5.2000	100.0000	160,000.00	883.333	0.0000	0.00
10	9/ 1/2003	165,000.00	5.2000	5.2000	100.0000	165,000.00	1,003.750	0.0000	0.00
11	3/ 1/2004	170,000.00	5.3000	5.3000	100.0000	170,000.00	1,119.166	0.0000	0.00
12	9/ 1/2004	175,000.00	5.3000	5.3000	100.0000	175,000.00	1,239.583	0.0000	0.00
13	3/ 1/2005	180,000.00	5.4000	5.4000	100.0000	180,000.00	1,365.000	0.0000	0.00
14	9/ 1/2005	185,000.00	5.4000	5.4000	100.0000	185,000.00	1,495.416	0.0000	0.00
15	3/ 1/2006	190,000.00	5.5000	5.5000	100.0000	190,000.00	1,630.833	0.0000	0.00
16	9/ 1/2006	195,000.00	5.5000	5.5000	100.0000	195,000.00	1,771.250	0.0000	0.00
17	3/ 1/2007	200,000.00	5.5500	5.5500	100.0000	200,000.00	1,918.666	0.0000	0.00
18	9/ 1/2007	205,000.00	5.5500	5.5500	100.0000	205,000.00	2,067.083	0.0000	0.00
19	3/ 1/2008	210,000.00	5.6500	5.6500	100.0000	210,000.00	2,222.500	0.0000	0.00
20	9/ 1/2008	215,000.00	5.6500	5.6500	100.0000	215,000.00	2,382.916	0.0000	0.00
21	3/ 1/2009	225,000.00	5.7500	5.7500	100.0000	225,000.00	2,506.250	0.0000	0.00
22	9/ 1/2009	230,000.00	5.7500	5.7500	100.0000	230,000.00	2,779.166	0.0000	0.00
23	3/ 1/2010	235,000.00	5.8500	5.8500	100.0000	235,000.00	2,957.083	0.0000	0.00
24	9/ 1/2010	245,000.00	5.8500	5.8500	100.0000	245,000.00	3,205.416	0.0000	0.00
25	3/ 1/2011	250,000.00	5.9000	5.9000	100.0000	250,000.00	3,395.833	0.0000	0.00
26	9/ 1/2011	260,000.00	5.9000	5.9000	100.0000	260,000.00	3,651.666	0.0000	0.00
27	3/ 1/2012	265,000.00	5.9500	5.9500	100.0000	265,000.00	3,864.583	0.0000	0.00
28	9/ 1/2012	275,000.00	5.9500	5.9500	100.0000	275,000.00	4,147.916	0.0000	0.00
29	3/ 1/2013	280,000.00	6.1000	6.1000	100.0000	280,000.00	4,363.333	0.0000	0.00
30	9/ 1/2013	290,000.00	6.1000	6.1000	100.0000	290,000.00	4,664.166	0.0000	0.00
31	3/ 1/2014	300,000.00	6.1000	6.1000	100.0000	300,000.00	4,975.000	0.0000	0.00
32	9/ 1/2014	310,000.00	6.1000	6.1000	100.0000	310,000.00	5,295.833	0.0000	0.00
33	3/ 1/2015	315,000.00	6.1000	6.1000	100.0000	315,000.00	5,538.750	0.0000	0.00
34	9/ 1/2015	325,000.00	6.1000	6.1000	100.0000	325,000.00	5,877.083	0.0000	0.00
35	3/ 1/2016	335,000.00	6.1000	6.1000	100.0000	335,000.00	6,225.416	0.0000	0.00
36	9/ 1/2016	345,000.00	6.1000	6.1000	100.0000	345,000.00	6,583.750	0.0000	0.00
37	3/ 1/2017	360,000.00	5.3000	5.3000	100.0000	360,000.00	7,050.000	0.0000	0.00
38	9/ 1/2017	365,000.00	5.3000	5.3000	100.0000	365,000.00	7,330.416	0.0000	0.00
39	3/ 1/2018	375,000.00	5.3000	5.3000	100.0000	375,000.00	7,718.750	0.0000	0.00
40	9/ 1/2018	385,000.00	5.3000	5.3000	100.0000	385,000.00	8,117.083	0.0000	0.00
41	3/ 1/2019	395,000.00	5.3000	5.3000	100.0000	395,000.00	8,525.416	0.0000	0.00
42	9/ 1/2019	410,000.00	5.3000	5.3000	100.0000	410,000.00	9,054.166	0.0000	0.00
43	3/ 1/2020	420,000.00	5.3000	5.3000	100.0000	420,000.00	9,485.000	0.0000	0.00
44	9/ 1/2020	430,000.00	5.3000	5.3000	100.0000	430,000.00	9,925.833	0.0000	0.00
45	3/ 1/2021	440,000.00	6.2000	6.2000	100.0000	440,000.00	10,376.666	0.0000	0.00
46	9/ 1/2021	455,000.00	6.2000	6.2000	100.0000	455,000.00	10,857.916	0.0000	0.00
47	3/ 1/2022	470,000.00	6.2000	6.2000	100.0000	470,000.00	11,554.166	0.0000	0.00
48	9/ 1/2022	485,000.00	6.2000	6.2000	100.0000	485,000.00	12,165.416	0.0000	0.00
49	3/ 1/2023	500,000.00	6.2000	6.2000	100.0000	500,000.00	12,791.666	0.0000	0.00
50	9/ 1/2023	515,000.00	6.2000	6.2000	100.0000	515,000.00	13,432.916	0.0000	0.00
51	3/ 1/2024	530,000.00	6.2000	6.2000	100.0000	530,000.00	14,089.166	0.0000	0.00
52	9/ 1/2024	545,000.00	6.2000	6.2000	100.0000	545,000.00	14,760.416	0.0000	0.00
53	3/ 1/2025	565,000.00	6.2000	6.2000	100.0000	565,000.00	15,584.583	0.0000	0.00
54	9/ 1/2025	580,000.00	6.2000	6.2000	100.0000	580,000.00	16,288.333	0.0000	0.00

56	3/ 1/2026	615,000.00	6.2000	6.2000	100.0000	615,000.00	17,886.250	0.0000	0.0
57	3/ 1/2027	635,000.00	6.2000	6.2000	100.0000	635,000.00	18,785.416	0.0000	0.0
58	9/ 1/2027	670,000.00	6.2000	6.2000	100.0000	657,000.00	19,704.583	0.0000	0.0
59	3/ 1/2028	670,000.00	6.2000	6.2000	100.0000	675,000.00	20,643.750	0.0000	0.0
60	9/ 1/2028	695,000.00	6.2000	6.2000	100.0000	685,000.00	21,602.916	0.0000	0.0
		<u>20,000,000.00</u>				<u>20,000,000.00</u>	<u>408,189.166</u>		<u>0.0</u>

Total Serial Bonds : 7,900,000.00
 Total Term Bonds # 1 : 3,140,000.00
 Total Term Bonds # 2 : 8,980,000.00

Net Interest Cost : 5.9736%
 Average Bond Yield : 5.8510%
 Average Bond Life : 20.4095 years
 Average Takedown : \$ 0.0000

Smith Barney, Harris Upham & Co. Incorporated
 say@7a.exp.MOR.1 Mon May 5 15:30:18 1997

\$20,000,000
GUAM HOUSING CORPORATION
 Single Family Mortgage Revenue Bonds
 1997 Series A
 Expected Case

Semi-Annual Cash Flow Summary

Period Ending	Mortgage Income	Attainable Investment Income	Regularly Scheduled Debt Service	Bond Redemptions	Funds		Accrued Int.	Other Flows	Cash Balance	Cumulative Cash Balance
					(+ Deposits)	(- Withdrawals)				
3/ 1/1998	121,411.17	541,408.49	-682,621.04	-0.00	200,000.00	0.00	0.00	0.00	189,366.29	189,366.29
9/ 1/1998	544,780.81	174,059.85	-585,103.75	-195,000.00	0.00	0.00	0.00	0.00	-5,000.00	184,366.29
3/ 1/1999	893,044.31	13,640.52	-714,640.00	-190,000.00	0.00	0.00	0.00	0.00	-4,951.25	179,415.04
9/ 1/1999	1,028,438.07	15,545.45	-708,185.00	-330,000.00	0.00	0.00	0.00	0.00	-4,870.00	174,545.04
3/ 1/2000	1,129,424.26	16,996.69	-684,043.75	-445,000.00	0.00	0.00	0.00	0.00	-4,753.75	169,791.29
9/ 1/2000	1,187,092.18	17,825.02	-678,641.25	-520,000.00	0.00	0.00	0.00	0.00	-4,608.75	165,182.54
3/ 1/2001	1,227,635.94	18,481.74	-656,146.25	-590,000.00	0.00	0.00	0.00	0.00	-4,445.00	160,737.54
9/ 1/2001	1,236,316.14	18,478.45	-638,752.50	-615,000.00	0.00	0.00	0.00	0.00	-4,285.00	156,452.54
3/ 1/2002	1,223,614.65	18,425.83	-618,685.00	-620,000.00	0.00	0.00	0.00	0.00	-4,078.75	152,373.79
9/ 1/2002	1,165,912.32	17,768.54	-598,373.75	-565,000.00	0.00	0.00	0.00	0.00	-3,881.25	148,492.54
3/ 1/2003	1,109,151.49	16,997.40	-572,040.00	-550,000.00	0.00	0.00	0.00	0.00	-3,712.50	144,780.04
9/ 1/2003	1,057,532.21	16,359.31	-553,892.50	-515,000.00	0.00	0.00	0.00	0.00	-3,543.75	141,236.29
3/ 1/2004	1,008,875.35	15,784.44	-538,233.75	-485,000.00	0.00	0.00	0.00	0.00	-3,383.75	137,852.54
9/ 1/2004	994,544.07	15,223.99	-518,148.75	-460,000.00	0.00	0.00	0.00	0.00	-3,231.25	134,621.29
3/ 1/2005	922,343.47	14,638.35	-500,813.75	-430,000.00	0.00	0.00	0.00	0.00	-3,085.00	131,536.29
9/ 1/2005	883,182.66	14,238.35	-484,321.25	-410,000.00	0.00	0.00	0.00	0.00	-2,948.25	128,588.04
3/ 1/2006	845,583.88	13,768.82	-469,426.25	-390,000.00	0.00	0.00	0.00	0.00	-2,812.50	125,775.54
9/ 1/2006	810,380.34	13,287.00	-453,068.75	-365,000.00	0.00	0.00	0.00	0.00	-2,683.75	123,091.79
3/ 1/2007	776,500.74	12,823.95	-438,463.75	-350,000.00	0.00	0.00	0.00	0.00	-2,561.25	120,530.54
9/ 1/2007	744,752.28	12,476.85	-419,278.25	-320,000.00	0.00	0.00	0.00	0.00	-2,442.50	118,088.04
3/ 1/2008	714,250.74	12,105.12	-405,878.25	-305,000.00	0.00	0.00	0.00	0.00	-2,328.75	115,759.29
9/ 1/2008	685,754.71	11,687.42	-387,467.50	-300,000.00	0.00	0.00	0.00	0.00	-2,218.75	113,540.54
3/ 1/2009	658,338.80	11,432.75	-389,851.25	-300,000.00	0.00	0.00	0.00	0.00	-2,113.75	111,426.79
9/ 1/2009	632,645.11	11,044.05	-357,485.00	-285,000.00	0.00	0.00	0.00	0.00	-2,011.25	109,415.54
3/ 1/2010	607,890.44	10,708.70	-340,532.50	-275,000.00	0.00	0.00	0.00	0.00	-1,912.50	107,503.04
9/ 1/2010	584,848.53	10,449.25	-328,992.50	-265,000.00	0.00	0.00	0.00	0.00	-1,817.50	105,685.54
3/ 1/2011	562,358.52	10,144.40	-317,753.75	-255,000.00	0.00	0.00	0.00	0.00	-1,725.00	103,960.54
9/ 1/2011	541,712.23	9,825.63	-306,791.25	-240,000.00	0.00	0.00	0.00	0.00	-1,635.00	102,325.54
3/ 1/2012	521,645.10	9,685.78	-291,286.25	-240,000.00	0.00	0.00	0.00	0.00	-1,548.75	100,786.79
9/ 1/2012	502,413.72	9,378.70	-280,697.50	-230,000.00	0.00	0.00	0.00	0.00	-1,463.75	99,323.04
3/ 1/2013	483,843.39	9,125.15	-270,812.50	-220,000.00	0.00	0.00	0.00	0.00	-1,381.25	97,941.79
9/ 1/2013	465,537.75	8,815.22	-260,980.00	-210,000.00	0.00	0.00	0.00	0.00	-1,301.25	96,640.54
3/ 1/2014	447,875.75	8,758.35	-251,415.00	-205,000.00	0.00	0.00	0.00	0.00	-1,223.75	95,416.79
9/ 1/2014	430,871.84	8,514.85	-242,022.50	-195,000.00	0.00	0.00	0.00	0.00	-1,147.50	94,269.29
3/ 1/2015	414,283.20	8,342.28	-227,937.50	-195,000.00	0.00	0.00	0.00	0.00	-1,073.75	93,195.54
9/ 1/2015	398,307.62	8,100.25	-218,002.50	-185,000.00	0.00	0.00	0.00	0.00	-1,001.25	92,194.29
3/ 1/2016	382,723.91	7,845.95	-210,375.00	-180,000.00	0.00	0.00	0.00	0.00	-931.25	91,263.04
9/ 1/2016	367,721.45	7,738.81	-206,900.00	-170,000.00	0.00	0.00	0.00	0.00	-862.50	90,390.54
3/ 1/2017	353,084.81	7,465.05	-98,580.00	-260,000.00	0.00	0.00	0.00	0.00	-795.00	89,595.54
9/ 1/2017	338,989.89	7,344.05	-90,520.00	-255,000.00	0.00	0.00	0.00	0.00	-730.00	88,865.54
3/ 1/2018	325,237.09	7,173.24	-82,615.00	-245,000.00	0.00	0.00	0.00	0.00	-666.25	88,199.29
9/ 1/2018	311,991.00	6,980.91	-74,665.00	-245,000.00	0.00	0.00	0.00	0.00	-603.75	87,595.54
3/ 1/2019	299,087.94	6,773.12	-67,270.00	-235,000.00	0.00	0.00	0.00	0.00	-542.50	87,053.04
9/ 1/2019	286,625.50	6,707.66	-59,985.00	-235,000.00	0.00	0.00	0.00	0.00	-483.75	86,569.29
3/ 1/2020	275,302.80	6,494.91	-52,700.00	-225,000.00	0.00	0.00	0.00	0.00	-425.00	86,144.29

GUAM HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
Series A
Expected Cash

Debt Service Schedule

Production	:	20,000,000.00
Accrued Interest	:	0.00
Adjustment	:	0.00
Less Upfront Insurance	:	0.00
Less Underwriters Dist	:	0.00
Total Proceeds	:	20,000,000.00

Period Ending	Principal	Coupon	Interest	Total Debt Service	Discount Factor	Yic: 5.993628% To 8/ 1/1997
3/ 1/1998			682,621.04	682,621.04	0.986137438244	859,505.74
9/ 1/1998			585,103.75	585,103.75	0.938026525989	731,758.01
3/ 1/1999	135,000.00	4.6500	585,103.75	720,103.75	0.910733535883	823,885.99
9/ 1/1999	135,000.00	4.6500	581,985.00	716,985.00	0.884234867573	916,230.70
3/ 1/2000	140,000.00	4.8000	578,826.25	718,826.25	0.858508815145	977,876.82
9/ 1/2000	145,000.00	4.8000	575,466.25	720,466.25	0.833527544984	999,100.50
3/ 1/2001	145,000.00	4.9500	571,986.25	716,986.25	0.809275076201	1,008,475.10
9/ 1/2001	150,000.00	4.9500	568,397.50	718,397.50	0.785728261654	983,537.32
3/ 1/2002	155,000.00	5.0500	564,685.00	719,685.00	0.7628868589498	943,410.38
9/ 1/2002	160,000.00	5.0500	560,771.25	720,771.25	0.740870065288	875,008.17
3/ 1/2003	160,000.00	5.2000	556,731.25	716,731.25	0.719119384584	806,880.73
9/ 1/2003	165,000.00	5.2000	552,571.25	717,571.25	0.698195768127	748,158.58
3/ 1/2004	170,000.00	5.3000	548,281.25	718,281.25	0.677880935353	682,274.88
9/ 1/2004	175,000.00	5.3000	543,776.25	718,776.25	0.658157188584	643,775.63
3/ 1/2005	180,000.00	5.4000	538,138.75	719,138.75	0.639007327531	584,796.81
9/ 1/2005	185,000.00	5.4000	534,278.75	719,278.75	0.620414664313	554,850.01
3/ 1/2006	190,000.00	5.5000	529,283.75	719,283.75	0.602362956680	517,084.17
9/ 1/2006	195,000.00	5.5000	524,058.75	719,058.75	0.584838484833	478,436.46
3/ 1/2007	200,000.00	5.5500	518,696.25	718,696.25	0.567818986095	447,705.48
9/ 1/2007	205,000.00	5.5500	513,146.25	718,146.25	0.551298592687	415,831.44
3/ 1/2008	210,000.00	5.6500	507,457.50	717,457.50	0.535257908742	388,423.95
9/ 1/2008	215,000.00	5.6500	501,525.00	716,525.00	0.519683947449	359,864.24
3/ 1/2009	225,000.00	5.7500	495,451.25	720,451.25	0.504583128981	337,982.24
9/ 1/2009	230,000.00	5.7500	488,882.50	718,882.50	0.489882268554	314,732.21
3/ 1/2010	235,000.00	5.8500	482,370.00	717,370.00	0.475828585126	292,764.84
9/ 1/2010	245,000.00	5.8500	475,496.25	720,496.25	0.461789590041	274,288.55
3/ 1/2011	250,000.00	5.9000	468,330.00	718,330.00	0.448353276288	256,796.02
9/ 1/2011	260,000.00	5.9000	460,955.00	720,955.00	0.435307807858	238,022.56
3/ 1/2012	265,000.00	5.9500	453,285.00	718,285.00	0.422642110036	224,543.94
9/ 1/2012	275,000.00	5.9500	445,401.25	720,401.25	0.410344838468	209,644.15
3/ 1/2013	280,000.00	6.1000	437,220.00	717,220.00	0.398405370547	195,542.34
9/ 1/2013	290,000.00	6.1000	428,680.00	718,680.00	0.386813285552	182,173.59
3/ 1/2014	300,000.00	6.1000	419,835.00	719,835.00	0.375558505676	171,410.54
9/ 1/2014	310,000.00	6.1000	410,685.00	720,685.00	0.364631187209	159,352.03
3/ 1/2015	315,000.00	6.1000	401,230.00	718,230.00	0.354021811984	149,729.10
9/ 1/2015	325,000.00	6.1000	391,622.50	718,622.50	0.343721129068	138,864.20
3/ 1/2016	335,000.00	6.1000	381,710.00	718,710.00	0.333720156691	130,276.01
9/ 1/2016	345,000.00	6.1000	371,492.50	718,492.50	0.324010174423	122,119.43
3/ 1/2017	360,000.00	5.3000	360,970.00	720,970.00	0.314582715561	112,803.07
9/ 1/2017	365,000.00	5.3000	351,430.00	718,430.00	0.305429559754	105,532.02
3/ 1/2018	375,000.00	5.3000	341,757.50	716,757.50	0.296542725830	98,634.56
9/ 1/2018	385,000.00	5.3000	331,820.00	716,820.00	0.287914464840	92,093.78
3/ 1/2019	395,000.00	5.3000	321,617.50	716,617.50	0.279537253298	84,495.73
9/ 1/2019	410,000.00	5.3000	311,150.00	721,150.00	0.271403786624	80,060.05
3/ 1/2020	420,000.00	5.3000	300,285.00	720,285.00	0.263508972773	73,175.89
9/ 1/2020	430,000.00	5.3000	289,155.00	719,155.00	0.255839926051	70,541.46
3/ 1/2021	440,000.00	6.2000	277,760.00	717,760.00	0.248395961113	65,475.93
9/ 1/2021	455,000.00	6.2000	264,120.00	719,120.00	0.241168587131	60,882.84
3/ 1/2022	470,000.00	6.2000	250,015.00	720,015.00	0.234151502133	57,320.29
9/ 1/2022	485,000.00	6.2000	235,445.00	720,445.00	0.227339587515	51,828.65
3/ 1/2023	500,000.00	6.2000	220,410.00	720,410.00	0.220723902898	49,987.34
9/ 1/2023	515,000.00	6.2000	204,910.00	719,810.00	0.214301679951	34,246.48
3/ 1/2024	530,000.00	6.2000	188,945.00	718,945.00	0.208066319383	0.00
9/ 1/2024	545,000.00	6.2000	172,515.00	717,515.00	0.202012383959	0.00
3/ 1/2025	565,000.00	6.2000	155,620.00	720,620.00	0.196134584858	0.00
9/ 1/2025	580,000.00	6.2000	138,105.00	718,105.00	0.190427827174	0.00
3/ 1/2026	600,000.00	6.2000	120,125.00	720,125.00	0.184887104541	0.00

3/ 1/2027	635,000.00	6,2000	82,460.00	717,460.00	0.174284810181	0.00
9/ 1/2027	855,000.00	6,2000	62,775.00	717,775.00	0.189213593521	0.00
3/ 1/2028	675,000.00	6,2000	42,470.00	717,470.00	0.18429017 2	0.00
9/ 1/2028	885,000.00	6,2000	21,545.00	716,545.00	0.15950896 3	0.00
	<u>20,000,000.00</u>		<u>24,383,547.29</u>	<u>44,383,547.29</u>		<u>19,999,999.93</u>

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GUAM HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
1997 Series B
Expected Case

Production Table

First Interest Payment Date: 3/ 1/1998

	Period	Principal	Coupon	Yield	Price	Production	Bond Years	Takedown	Total
	Ending						Per Bond		Takedown
1	3/ 1/2001	195,000.00	4.9500	4.9500	100.0000	195,000.00	698.750	0.0000	0.00
2	9/ 1/2001	200,000.00	4.9500	4.9500	100.0000	200,000.00	816.666	0.0000	0.00
3	3/ 1/2002	205,000.00	5.0500	5.0500	100.0000	205,000.00	938.583	0.0000	0.00
4	9/ 1/2002	210,000.00	5.0500	5.0500	100.0000	210,000.00	1,067.500	0.0000	0.00
5	3/ 1/2003	215,000.00	5.2000	5.2000	100.0000	215,000.00	1,200.416	0.0000	0.00
6	9/ 1/2003	225,000.00	5.2000	5.2000	100.0000	225,000.00	1,358.750	0.0000	0.00
7	3/ 1/2004	230,000.00	5.3000	5.3000	100.0000	230,000.00	1,514.166	0.0000	0.00
8	9/ 1/2004	235,000.00	5.3000	5.3000	100.0000	235,000.00	1,664.583	0.0000	0.00
9	3/ 1/2005	240,000.00	5.4000	5.4000	100.0000	240,000.00	1,820.000	0.0000	0.00
10	9/ 1/2005	250,000.00	5.4000	5.4000	100.0000	250,000.00	2,020.833	0.0000	0.00
11	3/ 1/2006	255,000.00	5.5000	5.5000	100.0000	255,000.00	2,188.750	0.0000	0.00
12	9/ 1/2006	260,000.00	5.5000	5.5000	100.0000	260,000.00	2,361.666	0.0000	0.00
13	3/ 1/2007	270,000.00	5.5500	5.5500	100.0000	270,000.00	2,587.500	0.0000	0.00
14	9/ 1/2007	275,000.00	5.5500	5.5500	100.0000	275,000.00	2,772.916	0.0000	0.00
15	3/ 1/2008	285,000.00	5.6500	5.6500	100.0000	285,000.00	3,016.250	0.0000	0.00
16	9/ 1/2008	290,000.00	5.8500	5.8500	100.0000	290,000.00	3,214.166	0.0000	0.00
17	3/ 1/2009	300,000.00	5.7500	5.7500	100.0000	300,000.00	3,475.000	0.0000	0.00
18	9/ 1/2009	310,000.00	5.7500	5.7500	100.0000	310,000.00	3,745.833	0.0000	0.00
19	3/ 1/2010	315,000.00	5.8500	5.8500	100.0000	315,000.00	3,963.750	0.0000	0.00
20	9/ 1/2010	325,000.00	5.8500	5.8500	100.0000	325,000.00	4,252.083	0.0000	0.00
21	3/ 1/2011	335,000.00	5.9000	5.9000	100.0000	335,000.00	4,550.416	0.0000	0.00
22	9/ 1/2011	345,000.00	5.9000	5.9000	100.0000	345,000.00	4,858.750	0.0000	0.00
23	3/ 1/2012	355,000.00	5.9500	5.9500	100.0000	355,000.00	5,177.083	0.0000	0.00
24	9/ 1/2012	365,000.00	5.9500	5.9500	100.0000	365,000.00	5,505.416	0.0000	0.00
25	3/ 1/2013	380,000.00	6.1000	6.1000	100.0000	380,000.00	5,921.666	0.0000	0.00
26	9/ 1/2013	390,000.00	6.1000	6.1000	100.0000	390,000.00	6,272.500	0.0000	0.00
27	3/ 1/2014	400,000.00	6.1000	6.1000	100.0000	400,000.00	6,633.333	0.0000	0.00
28	9/ 1/2014	415,000.00	6.1000	6.1000	100.0000	415,000.00	7,089.583	0.0000	0.00
29	3/ 1/2015	425,000.00	6.1000	6.1000	100.0000	425,000.00	7,472.816	0.0000	0.00
30	9/ 1/2015	440,000.00	6.1000	6.1000	100.0000	440,000.00	7,958.666	0.0000	0.00
31	3/ 1/2016	450,000.00	6.1000	6.1000	100.0000	450,000.00	8,362.500	0.0000	0.00
32	9/ 1/2016	465,000.00	6.1000	6.1000	100.0000	465,000.00	8,873.750	0.0000	0.00
33	3/ 1/2017	480,000.00	5.3000	5.3000	100.0000	480,000.00	9,400.000	0.0000	0.00
34	9/ 1/2017	495,000.00	5.3000	5.3000	100.0000	495,000.00	9,941.250	0.0000	0.00
35	3/ 1/2018	505,000.00	5.3000	5.3000	100.0000	505,000.00	10,394.583	0.0000	0.00
36	9/ 1/2018	520,000.00	5.3000	5.3000	100.0000	520,000.00	10,863.333	0.0000	0.00
37	3/ 1/2019	535,000.00	5.3000	5.3000	100.0000	535,000.00	11,547.083	0.0000	0.00
38	9/ 1/2019	545,000.00	5.3000	5.3000	100.0000	545,000.00	12,035.416	0.0000	0.00
39	3/ 1/2020	560,000.00	5.3000	5.3000	100.0000	560,000.00	12,646.666	0.0000	0.00
40	9/ 1/2020	575,000.00	5.3000	5.3000	100.0000	575,000.00	13,272.916	0.0000	0.00
41	3/ 1/2021	590,000.00	5.3000	5.3000	100.0000	590,000.00	13,914.166	0.0000	0.00
42	9/ 1/2021	605,000.00	5.3000	5.3000	100.0000	605,000.00	14,570.416	0.0000	0.00
43	3/ 1/2022	625,000.00	6.2000	6.2000	100.0000	625,000.00	15,364.583	0.0000	0.00
44	9/ 1/2022	645,000.00	6.2000	6.2000	100.0000	645,000.00	16,178.750	0.0000	0.00
45	3/ 1/2023	665,000.00	6.2000	6.2000	100.0000	665,000.00	17,012.916	0.0000	0.00
46	9/ 1/2023	685,000.00	6.2000	6.2000	100.0000	685,000.00	17,867.083	0.0000	0.00
47	3/ 1/2024	705,000.00	6.2000	6.2000	100.0000	705,000.00	18,741.250	0.0000	0.00
48	9/ 1/2024	725,000.00	6.2000	6.2000	100.0000	725,000.00	19,635.416	0.0000	0.00
49	3/ 1/2025	750,000.00	6.2000	6.2000	100.0000	750,000.00	20,687.500	0.0000	0.00
50	9/ 1/2025	770,000.00	6.2000	6.2000	100.0000	770,000.00	21,824.166	0.0000	0.00
51	3/ 1/2026	795,000.00	6.2000	6.2000	100.0000	795,000.00	22,723.750	0.0000	0.00
52	9/ 1/2026	820,000.00	6.2000	6.2000	100.0000	820,000.00	23,848.333	0.0000	0.00
53	3/ 1/2027	845,000.00	6.2000	6.2000	100.0000	845,000.00	24,997.916	0.0000	0.00
54	9/ 1/2027	875,000.00	6.2000	6.2000	100.0000	875,000.00	26,322.916	0.0000	0.00

56	9/ 1/2028	925,000.00	6.2000	6.2000	100.0000	925,000.00	28,752.083	0.0000	0.0
57	3/ 1/2029	955,000.00	6.2000	6.2000	100.0000	955,000.00	30,182.083	0.0000	0.0
58	9/ 1/2029	000.00	6.2000	6.2000	100.0000	98 10.00	31,602.083	0.0000	0.0
59	3/ 1/2030	1,000,000.00	6.2000	6.2000	100.0000	1,015,000.00	33,072.083	0.0000	0.0
60	9/ 1/2030	1,050,000.00	6.2000	6.2000	100.0000	1,050,000.00	34,737.500	0.0000	0.0
<u>30,000,000.00</u>							<u>30,000,000.00</u>	<u>672,905.000</u>	<u>0.0</u>

Total Serial Bonds : 9,855,000.00
 Total Term Bonds # 1 : 5,410,000.00
 Total Term Bonds # 2 : 14,735,000.00

Net Interest Cost : 5.98142
 Average Bond Yield : 5.88872
 Average Bond Life : 22.4302 years
 Average Takedown : \$ 0.0000

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\$30,000,000
GUAM HOUSING CORPORATION
 Single Family Mortgage Revenue Bonds
 1997 Series B
 Expected Case

Semi-Annual Cash Flow Summary

Period Ending	Mortgage Income	Retainable Investment Income	Regularly Scheduled		Bond Redemptions	Funds (+/- Withdrawals)		Accrued Int.	Other Flows	Cash Balance	Period Cash Balance	Cumulative Cash Balance
			Debt Service	Debt Service		Deposits	Withdrawals					
3/ 1/1988	0.00	0.00	-1,030,513.75	-0.00	993,170.00	-15,000.00	243,013.75	0.00	0.00	180,670.00	180,670.00	180,670.00
9/ 1/1988	0.00	0.00	883,297.50	-0.00	882,000.00	-7,500.00	208,287.50	0.00	0.00	179,500.00	179,500.00	370,000.00
3/ 1/1989	0.00	0.00	883,297.50	-0.00	882,000.00	-7,500.00	208,287.50	0.00	0.00	178,500.00	178,500.00	549,670.00
9/ 1/1989	0.00	0.00	883,297.50	-0.00	1,062,000.00	-7,500.00	208,287.50	0.00	0.00	378,500.00	378,500.00	928,170.00
3/ 1/2000	177,135.49	886,337.60	883,297.50	-0.00	0.00	-7,500.00	0.00	0.00	0.00	-27,324.21	801,845.79	801,845.79
9/ 1/2000	179,418.63	276,432.44	883,297.50	-880,000.00	0.00	-7,500.00	0.00	0.00	0.00	789,546.43	102,289.38	102,289.38
3/ 1/2001	1,304,418.86	17,787.51	1,048,572.50	-270,000.00	0.00	-7,255.00	0.00	0.00	0.00	-1,621.02	100,678.33	100,678.33
9/ 1/2001	1,504,248.85	20,272.77	1,038,400.00	-475,000.00	0.00	-7,140.00	0.00	0.00	0.00	2,919.82	103,657.96	103,657.96
3/ 1/2002	1,658,130.17	22,388.74	1,021,628.25	-655,000.00	0.00	-6,972.50	0.00	0.00	0.00	-2,081.84	101,576.11	101,576.11
9/ 1/2002	1,746,156.09	23,398.64	898,602.50	-765,000.00	0.00	-6,760.00	0.00	0.00	0.00	-1,006.57	100,569.54	100,569.54
3/ 1/2003	1,807,907.05	24,241.47	867,977.50	-855,000.00	0.00	-6,520.00	0.00	0.00	0.00	2,651.02	103,220.56	103,220.56
9/ 1/2003	1,821,362.12	24,503.17	838,650.00	-900,000.00	0.00	-6,298.75	0.00	0.00	0.00	-43.48	103,177.08	103,177.08
3/ 1/2004	1,803,537.37	24,488.68	805,065.00	-820,000.00	0.00	-5,988.25	0.00	0.00	0.00	3,045.20	100,131.90	100,131.90
9/ 1/2004	1,717,665.40	23,412.28	870,007.50	-865,000.00	0.00	-5,710.00	0.00	0.00	0.00	360.18	100,492.08	100,492.08
3/ 1/2005	1,633,376.88	22,401.89	836,560.00	-810,000.00	0.00	-5,448.75	0.00	0.00	0.00	3,769.82	104,281.90	104,281.90
9/ 1/2005	1,556,851.65	21,595.38	808,687.50	-765,000.00	0.00	-5,202.50	0.00	0.00	0.00	1,423.06	102,858.84	102,858.84
3/ 1/2006	1,484,429.76	20,678.80	783,287.50	-715,000.00	0.00	-4,967.50	0.00	0.00	0.00	1,041.56	104,680.40	104,680.40
9/ 1/2006	1,419,059.17	19,948.56	751,586.25	-685,000.00	0.00	-4,745.00	0.00	0.00	0.00	-2,323.51	102,356.89	102,356.89
3/ 1/2007	1,356,553.03	19,129.08	725,911.25	-615,000.00	0.00	-4,531.25	0.00	0.00	0.00	239.61	102,596.50	102,596.50
9/ 1/2007	1,298,578.58	18,444.44	698,906.25	-580,000.00	0.00	-4,327.50	0.00	0.00	0.00	1,289.27	103,885.77	103,885.77
3/ 1/2008	1,242,869.98	17,811.18	677,933.75	-555,000.00	0.00	-4,132.50	0.00	0.00	0.00	-1,365.09	102,520.68	102,520.68
9/ 1/2008	1,190,800.68	17,151.32	650,292.50	-525,000.00	0.00	-3,945.00	0.00	0.00	0.00	-1,285.52	101,235.16	101,235.16
3/ 1/2009	1,140,703.08	16,512.33	628,546.25	-485,000.00	0.00	-3,765.00	0.00	0.00	0.00	-85.84	101,150.61	101,150.61
9/ 1/2009	1,093,748.89	15,949.88	607,630.00	-455,000.00	0.00	-3,592.50	0.00	0.00	0.00	3,477.28	104,627.89	104,627.89
3/ 1/2010	1,048,845.08	15,505.97	587,623.75	-425,000.00	0.00	-3,427.50	0.00	0.00	0.00	-1,980.19	102,783.88	102,783.88
9/ 1/2010	1,006,526.43	14,949.79	563,141.25	-400,000.00	0.00	-3,287.50	0.00	0.00	0.00	67.47	102,851.35	102,851.35
3/ 1/2011	986,010.13	14,464.43	544,413.75	-435,000.00	0.00	-3,113.75	0.00	0.00	0.00	-2,052.94	100,730.94	100,730.94
9/ 1/2011	928,054.13	13,953.84	526,256.25	-410,000.00	0.00	-2,965.00	0.00	0.00	0.00	2,786.51	103,517.45	103,517.45
3/ 1/2012	891,495.66	13,593.42	508,861.25	-385,000.00	0.00	-2,822.50	0.00	0.00	0.00	-1,584.68	101,932.78	101,932.78
9/ 1/2012	857,175.94	13,139.09	491,882.50	-375,000.00	0.00	-2,683.75	0.00	0.00	0.00	748.78	102,681.56	102,681.56
3/ 1/2013	824,277.61	12,763.61	475,517.50	-360,000.00	0.00	-2,550.00	0.00	0.00	0.00	-1,028.28	101,653.27	101,653.27
9/ 1/2013	793,820.38	12,371.38	454,496.00	-350,000.00	0.00	-2,420.00	0.00	0.00	0.00	-723.23	100,930.04	100,930.04
3/ 1/2014	754,221.33	11,996.59	438,932.50	-335,000.00	0.00	-2,293.75	0.00	0.00	0.00	-8.33	100,921.71	100,921.71
9/ 1/2014	735,885.40	11,658.87	423,832.50	-320,000.00	0.00	-2,171.25	0.00	0.00	0.00	1,520.52	102,442.22	102,442.22
3/ 1/2015	708,192.69	11,371.47	404,195.00	-315,000.00	0.00	-2,052.50	0.00	0.00	0.00	1,653.33	100,750.89	100,750.89
9/ 1/2015	681,508.95	11,006.08	389,862.50	-300,000.00	0.00	-1,936.25	0.00	0.00	0.00	718.28	101,469.17	101,469.17
3/ 1/2016	655,482.83	10,716.33	375,892.50	-285,000.00	0.00	-1,823.75	0.00	0.00	0.00	3,381.82	104,849.99	104,849.99
9/ 1/2016	630,435.55	10,513.50	362,585.00	-280,000.00	0.00	-1,715.00	0.00	0.00	0.00	-3,360.96	101,489.03	101,489.03
3/ 1/2017	606,004.10	10,128.12	348,330.00	-415,000.00	0.00	-1,607.50	0.00	0.00	0.00	1,620.72	101,890.84	101,890.84
9/ 1/2017	582,484.39	9,851.73	336,465.00	-405,000.00	0.00	-1,503.75	0.00	0.00	0.00	-632.63	101,258.21	101,258.21
3/ 1/2018	559,546.02	9,559.52	323,910.00	-390,000.00	0.00	-1,402.50	0.00	0.00	0.00	3,793.04	104,951.25	104,951.25
9/ 1/2018	537,471.92	9,404.76	311,820.00	-385,000.00	0.00	-1,305.00	0.00	0.00	0.00	-1,248.32	103,702.93	103,702.93
3/ 1/2019	515,940.77	9,111.86	298,885.00	-375,000.00	0.00	-1,208.75	0.00	0.00	0.00	-1,041.11	102,661.82	102,661.82
9/ 1/2019	495,215.00	8,835.62	286,260.00	-365,000.00	0.00	-1,115.00	0.00	0.00	0.00	-374.38	102,287.44	102,287.44
3/ 1/2020	474,997.23	8,584.72	276,945.00	-355,000.00	0.00	-1,023.75	0.00	0.00	0.00	611.20	102,900.64	102,900.64

9/ 1/2020	455,532.69	9,370.55	-115,940.00	-345,000.00	0.00	0.00	0.00	0.00	2,028.25	104,878.69
3/ 1/2021	436,548.03	8,201.31	-105,245.00	-340,000.00	0.00	0.00	0.00	0.00	-1,344.41	103,534.48
9/ 1/2021	418,277.60	7,945.65	-94,705.00	-330,000.00	0.00	0.00	0.00	0.00	754.50	104,288.98
3/ 1/2022	401,658.61	7,758.64	-194,475.00	-215,000.00	0.00	0.00	0.00	0.00	-737.80	103,551.18
9/ 1/2022	388,428.17	7,561.05	-179,400.00	-215,000.00	0.00	0.00	0.00	0.00	1,009.22	104,560.40
3/ 1/2023	374,839.60	7,450.73	-158,480.00	-225,000.00	0.00	0.00	0.00	0.00	-2,709.68	101,850.73
9/ 1/2023	360,506.21	7,204.52	-144,560.00	-220,000.00	0.00	0.00	0.00	0.00	2,710.73	104,561.45
3/ 1/2024	345,780.30	7,108.53	-124,950.00	-230,000.00	0.00	0.00	0.00	0.00	-2,423.67	102,137.78
9/ 1/2024	330,524.71	6,859.33	-100,340.00	-235,000.00	0.00	0.00	0.00	0.00	1,759.04	103,886.82
3/ 1/2025	314,950.58	6,725.99	-81,040.00	-240,000.00	0.00	0.00	0.00	0.00	426.57	104,323.40
9/ 1/2025	298,943.81	6,548.78	-51,885.00	-255,000.00	0.00	0.00	0.00	0.00	-1,538.66	102,784.74
3/ 1/2026	282,786.05	6,313.91	-22,905.00	-240,000.00	0.00	0.00	0.00	0.00	26,131.21	128,915.85
9/ 1/2026	265,477.47	6,064.20	-0.00	-0.00	0.00	0.00	0.00	0.00	273,341.67	402,257.82
3/ 1/2027	250,096.76	14,446.76	-0.00	-0.00	0.00	0.00	0.00	0.00	284,543.52	688,801.14
9/ 1/2027	233,678.60	21,778.38	-0.00	-0.00	0.00	0.00	0.00	0.00	255,455.18	922,256.32
3/ 1/2028	218,297.08	28,856.58	-0.00	-0.00	0.00	0.00	0.00	0.00	247,153.67	1,169,409.99
9/ 1/2028	204,501.41	35,727.74	-0.00	-0.00	0.00	0.00	0.00	0.00	240,229.16	1,409,639.15
3/ 1/2029	201,326.37	42,447.12	-0.00	-0.00	0.00	0.00	0.00	0.00	243,773.48	1,653,412.64
9/ 1/2029	195,328.76	48,440.01	-0.00	-0.00	0.00	0.00	0.00	0.00	244,766.77	1,898,178.41
3/ 1/2030	117,273.24	55,673.10	-0.00	-0.00	0.00	0.00	0.00	0.00	172,946.35	2,071,124.76
9/ 1/2030	24,586.91	58,346.83	-0.00	-0.00	0.00	0.00	0.00	0.00	83,933.74	2,155,059.50
3/ 1/2031	177.82	61,315.66	-0.00	-0.00	0.00	0.00	0.00	0.00	61,493.58	2,216,553.08
	<u>49,137,259.14</u>	<u>2,040,327.69</u>	<u>-28,483,085.00</u>	<u>-23,945,000.00</u>	<u>3,779,170.00</u>	<u>-200,015.00</u>	<u>667,806.25</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Present Value of Cumulative Period Cash Balance at 0.000 X : \$ 2,216,553.08

Smith Barney, Harris Upham & Co, Incorporated
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GUAM HOUSING CORPORATION
 Single Family Mortgage Revenue Bonds
 19 Series B
 Exempt Case

Debt Service Schedule

Production	:	30,000,000.00
Accrued Interest	:	0.00
Adjustment	:	0.00
Less Upfront Insurance	:	0.00
Less Underwriters Dist	:	0.00
Total Proceeds	:	30,000,000.00

Period Ending	Principal	Coupon	Interest	Total Debt Service	Discount Factor	Yic: 5.883665% To 8/1/1997
3/1/1998			1,030,513.75	1,030,513.75	0.967836267595	762,171.06
3/1/1998			883,297.50	883,297.50	0.941092009028	635,237.11
3/1/1999			883,297.50	883,297.50	0.915086775635	617,683.57
3/1/1999			883,297.50	883,297.50	0.889800145903	600,615.10
3/1/2000			883,297.50	883,297.50	0.865212262630	764,239.83
3/1/2000			883,297.50	883,297.50	0.841303817325	1,567,599.30
3/1/2001	195,000.00	4.9500	883,297.50	1,078,297.50	0.818056035053	1,077,030.08
3/1/2001	200,000.00	4.9500	878,471.25	1,078,471.25	0.795440659585	1,204,630.48
3/1/2002	205,000.00	5.0500	873,521.25	1,078,521.25	0.773468239584	1,298,820.00
3/1/2002	210,000.00	5.0500	868,345.00	1,078,345.00	0.752088813588	1,328,549.89
3/1/2003	215,000.00	5.2000	863,042.50	1,078,042.50	0.731313897551	1,333,168.78
3/1/2003	225,000.00	5.2000	857,452.50	1,081,452.50	0.711105471182	1,308,185.18
3/1/2004	230,000.00	5.3000	851,602.50	1,081,602.50	0.691455465034	1,261,985.00
3/1/2004	235,000.00	5.3000	845,507.50	1,080,507.50	0.672348448316	1,188,529.80
3/1/2005	240,000.00	5.4000	839,280.00	1,079,280.00	0.653769416561	1,076,470.57
3/1/2005	250,000.00	5.4000	832,800.00	1,082,800.00	0.635703779939	1,001,022.08
3/1/2006	255,000.00	5.5000	826,050.00	1,081,050.00	0.618137351782	928,153.65
3/1/2006	260,000.00	5.5000	819,037.50	1,079,037.50	0.601056337441	883,469.27
3/1/2007	270,000.00	5.5500	811,887.50	1,081,887.50	0.584447323458	801,225.41
3/1/2007	275,000.00	5.5500	804,395.00	1,079,395.00	0.568297267027	745,268.59
3/1/2008	285,000.00	5.6500	796,763.75	1,081,763.75	0.5525934485756	695,126.00
3/1/2008	290,000.00	5.6500	788,712.50	1,078,712.50	0.537323647705	647,632.16
3/1/2009	300,000.00	5.7500	780,520.00	1,080,520.00	0.522475761704	602,699.96
3/1/2009	310,000.00	5.7500	771,895.00	1,081,895.00	0.508038167835	560,178.13
3/1/2010	315,000.00	5.8500	762,982.50	1,077,982.50	0.493999528777	524,935.63
3/1/2010	325,000.00	5.8500	753,768.75	1,078,768.75	0.480348819900	489,062.95
3/1/2011	335,000.00	5.9000	744,262.50	1,079,262.50	0.467075321611	457,459.99
3/1/2011	345,000.00	5.9000	734,380.00	1,079,380.00	0.4541688610434	425,218.20
3/1/2012	355,000.00	5.9500	724,202.50	1,079,202.50	0.441818550928	399,161.90
3/1/2012	365,000.00	5.9500	713,641.25	1,078,641.25	0.429415287722	372,252.60
3/1/2013	380,000.00	6.1000	702,782.50	1,082,782.50	0.417549237779	348,869.70
3/1/2013	390,000.00	6.1000	691,192.50	1,081,192.50	0.406011082872	326,633.89
3/1/2014	400,000.00	6.1000	679,297.50	1,079,297.50	0.394791762285	305,542.18
3/1/2014	415,000.00	6.1000	667,097.50	1,082,097.50	0.383882465596	285,544.25
3/1/2015	425,000.00	6.1000	654,440.00	1,079,440.00	0.373274625961	268,457.24
3/1/2015	440,000.00	6.1000	641,477.50	1,081,477.50	0.362959913186	250,392.43
3/1/2016	450,000.00	6.1000	628,057.50	1,078,057.50	0.352930227285	233,284.23
3/1/2016	465,000.00	6.1000	614,332.50	1,079,332.50	0.343177692098	220,520.84
3/1/2017	480,000.00	5.3000	600,150.00	1,080,150.00	0.333694849109	204,998.63
3/1/2017	495,000.00	5.3000	587,430.00	1,082,430.00	0.324473651429	191,914.81
3/1/2018	505,000.00	5.3000	574,312.50	1,079,312.50	0.315507457949	177,917.81
3/1/2018	520,000.00	5.3000	560,930.00	1,080,930.00	0.306789027654	167,758.38
3/1/2019	535,000.00	5.3000	547,150.00	1,082,150.00	0.298311514098	158,579.24
3/1/2019	545,000.00	5.3000	532,972.50	1,077,972.50	0.290088260010	145,979.75
3/1/2020	560,000.00	5.3000	518,530.00	1,078,530.00	0.282052792097	135,933.93
3/1/2020	575,000.00	5.3000	503,690.00	1,078,690.00	0.274258815932	126,416.86
3/1/2021	590,000.00	5.3000	488,452.50	1,078,452.50	0.266680211024	118,738.03
3/1/2021	605,000.00	5.3000	472,817.50	1,077,817.50	0.259311025011	110,130.89
3/1/2022	625,000.00	6.2000	456,785.00	1,081,785.00	0.252145473984	103,247.27
3/1/2022	645,000.00	6.2000	437,410.00	1,082,410.00	0.245177927945	98,898.17
3/1/2023	665,000.00	6.2000	417,415.00	1,082,415.00	0.238402916386	91,881.15
3/1/2023	685,000.00	6.2000	396,800.00	1,081,800.00	0.231815118995	84,510.52
3/1/2024	705,000.00	6.2000	375,565.00	1,080,565.00	0.225489362474	80,008.05
3/1/2024	725,000.00	6.2000	353,710.00	1,078,710.00	0.219180616481	73,500.03
3/1/2025	750,000.00	6.2000	331,235.00	1,081,235.00	0.213123989677	68,421.33
3/1/2025	770,000.00	6.2000	307,985.00	1,077,985.00	0.207234725885	63,599.30
3/1/2026	795,000.00	6.2000	284,115.00	1,078,115.00	0.201508200358	52,977.51

9/ 1/2027	875,000.00	6.2000	207,855.00	1,082,855.00	0.185280701714	0.00
2/ 1/2028	900,000.00	6.2000	180,730.00	1,080,730.00	0.180141385281	0.00
9/ 1/2028	925,000.00	6.2000	152,830.00	1,077,830.00	0.17518351 5	0.00
3/ 1/2029	955,000.00	6.2000	124,155.00	1,079,155.00	0.170323230214	0.00
9/ 1/2029	985,000.00	6.2000	94,550.00	1,079,550.00	0.165816681533	0.00
3/ 1/2030	1,015,000.00	6.2000	64,015.00	1,079,015.00	0.161040189101	0.00
9/ 1/2030	1,050,000.00	6.2000	32,550.00	1,082,550.00	0.156580159069	0.00
	<u>30,000,000.00</u>		<u>40,249,157.50</u>	<u>70,249,157.50</u>		<u>79,999,999.28</u>

Smith Barney, Harris Upham & Co. Incorporated
may97b.exp.MOR.1 Mon May 5 16:08:37 1997

FAX

Date: 06/03/97

Number of pages including cover sheet: 6

To:

Mr. Jesse Perez
Committee on Finance and
Taxation

Phone:

Fax phone: 472-3562

CC:

From:

John Guerrero
Dave Sasai

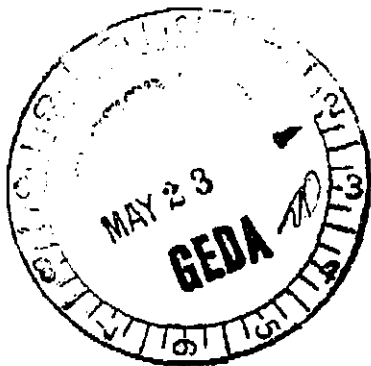
Phone: 647-4329

Fax phone: 649-4146

REMARKS: Urgent For your review Reply ASAP Please comment

Jesse: Attached are copies of the letter from Bond counsel mentioning the indenture as an enclosure as well as other documents related to the MRB.

Also, Trustee fees are assumed to be 5 basis points of the outstanding balance; therefore, $.0005 \times \$50,000,000 = \$25,000$



ORRICK, HERRINGTON

& SUTCLIFFE LLP

May 2, 1997

Direct Dial

(415) 773-5828

Interested Parties
(See Attached List)

**Re: Guam Housing Corporation Single Family Mortgage Revenue
Bonds**

Ladies and Gentlemen:

Enclosed to each of you are the following:

- (1) draft form of indenture incorporating a fixed rate series and a series to be converted to fixed rate at some later date, and
- (2) draft forms of master and supplemental origination agreement for the originating lenders that sell mortgage loans to the master servicer.

Also enclosed to GEDA and GHC are copies of the master and supplemental agreement for the Master Servicer, cleaned up in minor respects.

All of these documents need additional work. For example, the origination and master servicer agreements all retain the concept of a Developer Allocation that we may or may not use in this financing. In addition, Freddie Mac has not reviewed these documents and may have additional requirements, particularly relating to their "Affordable Gold" program. Also, the indenture format for the convertible option bond may need to change.

Please call with questions.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Stanley J. Dirks'.

Stanley J. Dirks

Enclosures

Old Federal Reserve Bank Building • 400 Sansome Street • San Francisco, California 94111-3113
Telephone 415 392 1122 • Facsimile 415 771 5759
Los Angeles • New York • Sacramento • Silicon Valley • Singapore • Washington, D.C.

872-73886.1

Mortgage Revenue Bond Issue

ESTIMATED COSTS OF ISSUANCE

	\$15,000,000 1997 Series A Long Term	\$35,000,000 1997 Series B Short Term	\$35,000,000 1997 Series B Remarketing
Underwriting Fee Breakdown:			
Management Fee	\$22,500	\$52,500	\$52,500
Expenses	55,100	102,900	67,900
Takedown	<u>93,000</u>	<u>70,000</u>	<u>217,000</u>
TOTAL	170,600	225,400	337,400
GHC Cost of Issuance	<u>79,350</u>	<u>185,150</u>	<u>29,500</u>
Total Expenses	249,950	410,550	366,900

GEDA/GHC

Mortgage Revenue Bond Issue

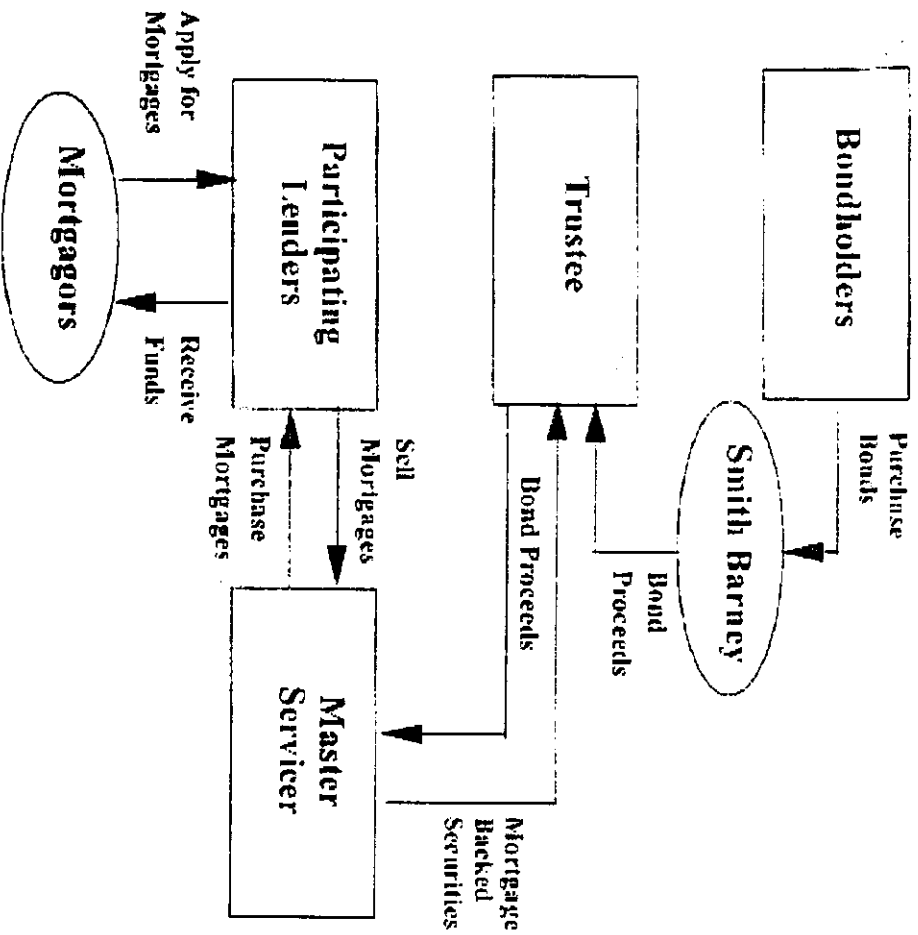
BREAKDOWN OF COST OF ISSUANCE

	\$15,000,000 1997 Series A & \$35,000,000 1997 Series B	\$35,000,000 1997 Series B Remarketing
Printing	\$6,000	\$6,000
Bond Counsel	100,000	10,000
Rating Agency	35,000	0
Auditors	5,000	5,000
Trustee	8,000	8,000
Transcripts	500	500
GEDA/Financial Advisor	<u>110,000</u>	<u>0</u>
TOTAL	264,500	29,500

GEDA/GHC

Mortgage Revenue Bond Issue

BOND ISSUANCE PROCESS

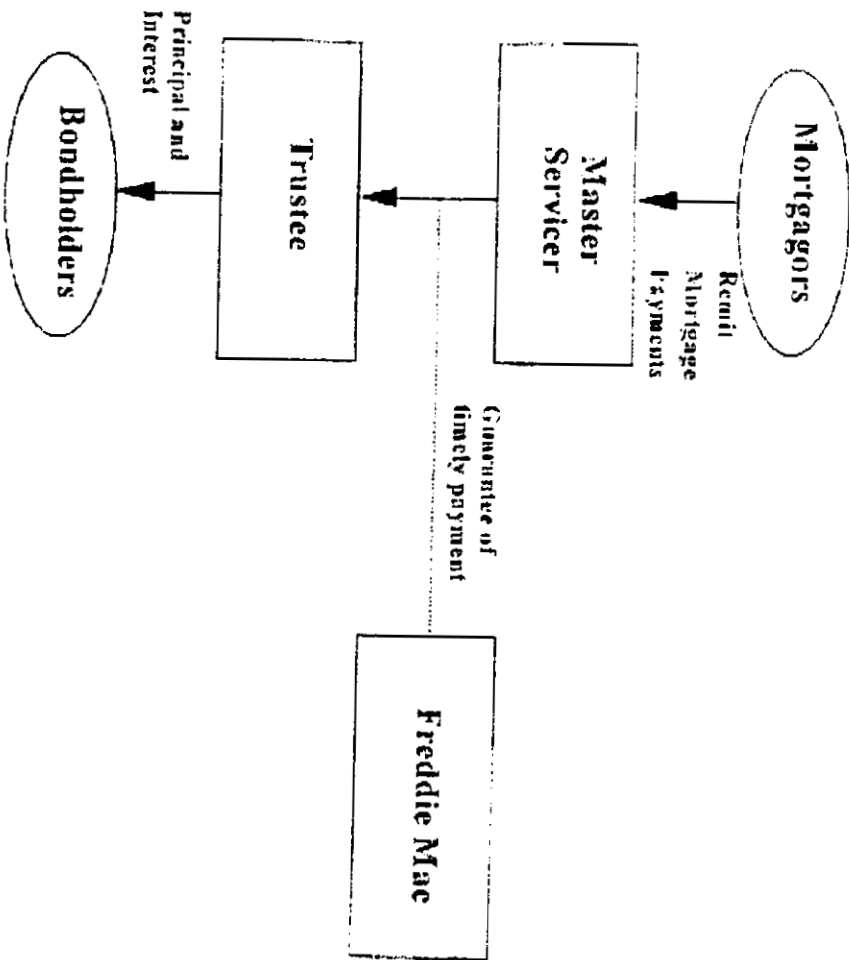


1. Smith Barney markets tax-exempt bonds and deposits proceeds with GHC's Trustee.
2. GHC advises participating lenders of the program mortgage rate and their allocation of funds.
3. Participating Lenders originate mortgages to qualified mortgagors
4. Participating Lenders sell mortgages to Master Servicer.
5. Master Servicer pools mortgages & creates Freddie Mac Mortgage Backed Securities ("MBS").
6. MBS' are purchased by Trustee and pledged to bond holders.

GEDA/GHC

Mortgage Revenue Bond Issue

ONGOING FLOW OF FUNDS



1. Homeowner makes regularly scheduled principal and interest payments to Master Servicer.

2. Master Servicer remits scheduled payments to Trustee.

3. Freddie Mac guarantees that Master Servicer will make timely payments (regardless of borrower payments).

4. Trustee remits principal and interest to bondholders and scheduled fees to Master Servicer, Trustee and GFC.

GEDA/GHC

GUAM HOUSING CORPORATION
(A Public Corporation)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 1996 AND 1995

RECEIVED
APR 23 1997
[Handwritten signature]



Independent Auditors' Report

The Board of Directors
Guam Housing Corporation:

We have audited the accompanying balance sheets of Guam Housing Corporation (a public corporation), a component unit of the Government of Guam, as of September 30, 1996 and 1995, and the related statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Guam Housing Corporation (a public corporation), as of September 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 1996, on our consideration of Guam Housing Corporation's internal control structure and a report dated December 30, 1996, on its compliance with laws and regulations.

Deloitte & Touche LLP

December 30, 1996

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Statements of Earnings and Retained Earnings
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Interest income:		
Loans receivable	\$ 3,725,710	\$ 4,043,598
Bank deposits	<u>180,885</u>	<u>243,680</u>
	3,906,595	4,287,278
Interest expense	<u>1,855,430</u>	<u>2,102,077</u>
Net interest income	<u>2,051,165</u>	<u>2,185,201</u>
Other income:		
Management fee	102,331	98,987
Loan origination fees	62,134	57,554
Other	<u>166,020</u>	<u>200,995</u>
Total other income	<u>330,485</u>	<u>357,536</u>
	<u>2,381,650</u>	<u>2,542,737</u>
Expenses:		
Salaries	1,195,682	1,311,408
Retirement contributions (note 8)	319,294	390,961
Other	183,100	81,283
Depreciation	131,557	142,618
Contractual services	83,350	63,253
Employee benefits, other than retirement	60,672	51,768
Travel	56,245	21,097
Professional services	53,355	62,444
Loan origination costs	39,094	40,096
Directors' fees	11,500	8,450
Rent	<u>-</u>	<u>150,689</u>
	2,133,849	2,324,067
Other expense:		
Loss on investments	<u>-</u>	<u>94,423</u>
Total expenses	<u>2,133,849</u>	<u>2,418,490</u>
Net earnings	247,801	124,247
Retained earnings at beginning of year	<u>10,542,494</u>	<u>10,418,247</u>
Retained earnings at end of year	\$ <u>10,790,295</u>	\$ <u>10,542,494</u>

See accompanying notes to financial statements.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Balance Sheets
September 30, 1996 and 1995

<u>ASSETS</u>	<u>1996</u>	<u>1995</u>
Cash and cash equivalents (note 2):		
Unrestricted	\$ 2,505,328	\$ 1,499,541
Restricted (borrower deposits, etc.)	<u>1,175,443</u>	<u>1,186,300</u>
Total cash	<u>3,680,771</u>	<u>2,685,841</u>
Investments, at market (note 3)	90,004	40,141
Receivables:		
Loans receivable (notes 4 and 7)	37,179,083	40,323,534
Accrued interest	884,158	674,032
Other (note 9)	<u>560,216</u>	<u>506,124</u>
	38,623,457	41,503,690
Less allowance for loan losses	<u>(30,805)</u>	<u>(30,805)</u>
Net receivables	<u>38,592,652</u>	<u>41,472,885</u>
Prepaid expenses and other	21,496	16,125
Land held for development (note 10)	3,547,371	3,548,418
Foreclosed asset held for resale (note 6)	118,506	118,506
Property and equipment, at cost, less accumulated depreciation (note 5)	<u>396,516</u>	<u>244,609</u>
	<u>\$ 46,447,316</u>	<u>\$ 48,126,525</u>
 <u>LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS</u> 		
Liabilities:		
Other liabilities	\$ 543,405	\$ 397,222
Deposits by borrowers - insurance premiums and real estate taxes	958,670	1,105,521
Notes payable (note 7)	27,517,579	29,711,458
Accrued pension cost (note 8)	<u>1,513,615</u>	<u>1,417,578</u>
Total liabilities	<u>30,533,269</u>	<u>32,631,779</u>
Contributions and retained earnings:		
Contributions from Government of Guam and Federal Government (note 9)	5,123,752	4,952,252
Retained earnings	<u>10,790,295</u>	<u>10,542,494</u>
Total contributions and retained earnings	<u>15,914,047</u>	<u>15,494,746</u>
Contingency and commitment (note 11)	<u>\$ 46,447,316</u>	<u>\$ 48,126,525</u>

See accompanying notes to financial statements.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Statements of Earnings and Retained Earnings
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Interest income:		
Loans receivable	\$ 3,725,710	\$ 4,043,598
Bank deposits	<u>180,885</u>	<u>243,680</u>
	3,906,595	4,287,278
Interest expense	<u>1,855,430</u>	<u>2,102,077</u>
Net interest income	<u>2,051,165</u>	<u>2,185,201</u>
Other income:		
Management fee	102,331	98,987
Loan origination fees	62,134	57,554
Other	<u>166,020</u>	<u>200,995</u>
Total other income	<u>330,485</u>	<u>357,536</u>
	<u>2,381,650</u>	<u>2,542,737</u>
Expenses:		
Salaries	1,195,682	1,311,408
Retirement contributions (note 8)	319,294	390,961
Other	183,100	81,283
Depreciation	131,557	142,618
Contractual services	83,350	63,253
Employee benefits, other than retirement	60,672	51,768
Travel	56,245	21,097
Professional services	53,355	62,444
Loan origination costs	39,094	40,096
Directors' fees	11,500	8,450
Rent	<u>-</u>	<u>150,689</u>
	2,133,849	2,324,067
Other expense:		
Loss on investments	<u>-</u>	<u>94,423</u>
Total expenses	<u>2,133,849</u>	<u>2,418,490</u>
Net earnings	247,801	124,247
Retained earnings at beginning of year	<u>10,542,494</u>	<u>10,418,247</u>
Retained earnings at end of year	\$ <u>10,790,295</u>	\$ <u>10,542,494</u>

See accompanying notes to financial statements.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Statements of Cash Flows
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:		
Net earnings	\$ 247,801	\$ 124,247
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	131,557	142,618
Amortization of discount on loan due from Guam Rental Corporation	(30,000)	(30,000)
Net gain on investments	-	(5,857)
Net decrease in loans receivable	3,174,451	2,969,814
Increase in accrued interest	(210,126)	(107,724)
Increase in other receivables	(54,092)	(35,010)
(Increase) decrease in prepaid expenses and other	(5,371)	15,826
Increase in accrued pension cost	96,037	149,865
Increase (decrease) in other liabilities	146,183	(66,612)
(Decrease) increase in deposits by borrowers	<u>(146,851)</u>	<u>16,603</u>
Net cash provided by operating activities	<u>3,349,589</u>	<u>3,173,770</u>
Cash flows from investing activities:		
Sale of investment securities, net of loss	-	2,044,882
Increase in land held for development and resale	(7,503)	(445,589)
Interest earned and reinvested	(49,863)	-
Rental income received	<u>8,550</u>	<u>-</u>
Net cash (used for) provided by investing activities	<u>(48,816)</u>	<u>1,599,293</u>
Cash flows from noncapital financing activities:		
Repayment of notes payable	(2,193,880)	(3,679,158)
Net cash used for noncapital financing activities	(2,193,880)	(3,679,158)
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(283,463)	(155,432)
Proceeds from sale of buildings	<u>171,500</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(111,963)</u>	<u>(155,432)</u>
Net increase in cash and cash equivalents	994,930	938,473
Cash and cash equivalents at beginning of year	2,685,841	1,747,368
Cash and cash equivalents at end of year	\$ <u>3,680,771</u>	\$ <u>2,685,841</u>
Supplemental disclosure of cash flow information:		
Cash payments during the year for interest	\$ <u>1,861,105</u>	\$ <u>2,116,406</u>
Non-cash transaction - receipt of donated property (note 9)	\$ <u>171,500</u>	\$ <u>-</u>

See accompanying notes to financial statements.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(1) Organization and Summary of Significant Accounting Policies

Organization

Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, was created by Public Law 8-80 to promote the general welfare of the Territory of Guam by encouraging investment in and development of low-cost housing. As such, the Corporation is not subject to taxes. The Corporation is principally engaged in financing homes for low- and moderate income families.

Cash and Cash Equivalents

For purposes of the balance sheets and the statements of cash flows, certificates of deposit with original maturities of ninety (90) days or less are considered to be cash equivalents (see also note 2).

Property and Equipment

The Corporation generally capitalizes all expenditures for property and equipment in excess of \$100.

Depreciation of property and equipment is computed using the straight-line method over estimated useful lives of 2 to 10 years for vehicles and office furniture and equipment, and over the length of the lease term for leasehold improvements.

Lending Policies

The Corporation is permitted to make loans for the purchase, construction, or purchase of land and construction of homes not to exceed the loan limit established by the U.S. Department of Housing and Urban Development. Loan limits currently range from \$180,500 for single-unit dwellings to \$285,000 for four-unit dwellings. However, the Corporation accepts loan applications only for single-unit dwellings. Determination of loan interest rates is made by the Board of Directors of the Corporation but does not exceed the Federal Housing Administration rate.

Accrued Leave

The Corporation recognizes as a liability all vested vacation leave benefits accrued by its employees. Sick leave does not vest and is not accrued. When vacation leave benefits are used by the employees, the liability account is reduced accordingly. As of September 30, 1996 and 1995 accrued annual leave totaled \$147,932 and \$103,236, respectively. The aggregate amount of the sick leave liability has not been estimated.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(1) Organization and Summary of Significant Accounting Policies, Continued

Loan Origination Fees and Related Costs

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in income or expense using the straight-line method over the contractual life of the loans. Differences between this method and the interest method required by Financial Accounting Standard No. 91 are not significant and do not otherwise materially affect the accompanying financial statements.

Risk of Loss

The Corporation is self-insured as to property and equipment. Losses will be recorded in the fiscal year realized.

Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

Cash and cash equivalents are insured under FDIC (Federal Deposit Insurance Corporation) up to \$289,620 and \$200,000 as of September 30, 1996 and 1995, respectively, with the remaining uninsured balances being uncollateralized, as follows:

	<u>1996</u>	<u>1995</u>
Commercial, trust and savings accounts	\$ 1,056,613	\$ 771,050
Short-term time certificates of deposit	2,622,558	1,913,210
On hand	<u>1,600</u>	<u>1,581</u>
	<u>\$ 3,680,771</u>	<u>\$ 2,685,841</u>

(3) Investment Securities

At September 30, 1996 and 1995, Merrill Lynch held certain short-term investments in the name of the Corporation. Such investments are not owned by the Corporation. However, interest income on those investments accrues to the benefit of the Corporation, as follows:

	<u>1996</u>	<u>1995</u>
Merrill Lynch	\$ 90,004	\$ 40,141

The securities are insured under FDIC. All securities are registered.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(4) Loans Receivable

Loans receivable, collateralized by first mortgages on real estate, consist of the following:

	<u>1996</u>	<u>1995</u>
Due in varying monthly installments and interest rates with maturities to 2023, including loans in process of \$361,067 in 1996 and \$838,457 in 1995.	\$ 35,144,474	\$ 37,803,98
Due in varying monthly installments and interest rates with maturities to 2003, purchased from Citibank, N.A. which acts as a servicing agent, insured by Federal Housing Administration (FHA)	1,621,928	2,099,858
Due from Guam Rental Corporation in monthly installments of \$6,675 including interest of 3% per annum, net of unamortized discount of \$288,710 in 1996 and \$318,710 in 1995 (approximate effective interest rate of 9.37% in 1996 and 9.29% in 1995).	<u>603,953</u>	<u>626,412</u>
	37,370,355	40,530,253
Less net deferred loan origination fees	<u>(191,272)</u>	<u>(206,719)</u>
	<u>\$ 37,179,083</u>	<u>\$ 40,323,534</u>

A significant portion of the total loans outstanding is assigned as collateral on notes payable (see note 7). Included in outstanding loans are loans to employees of \$853,614 and \$741,584 at September 30, 1996 and 1995, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. Loans in arrears three months or more or held with the attorney for collection total \$7,290,168 and \$3,856,514 at September 30, 1996 and 1995, respectively.

(5) Property and Equipment

Property and equipment are summarized below:

	<u>1996</u>	<u>1995</u>
Office furniture and equipment	\$ 754,314	\$ 684,058
Vehicles	124,836	127,967
Leasehold improvements	<u>193,411</u>	<u>10,026</u>
	1,072,561	822,051
Less accumulated depreciation	<u>(676,045)</u>	<u>(577,442)</u>
	<u>\$ 396,516</u>	<u>\$ 244,609</u>

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(6) Foreclosed Asset Held for Resale

In fiscal year 1995, GHC acquired the building when a borrower defaulted on his mortgage. The building is not subject to depreciation because it represents foreclosed property held for resale.

(7) Notes Payable

Notes payable consist of the following:

	<u>1996</u>	<u>1995</u>
Financial institutions:		
Citibank, N.A., 9.625%, payable in monthly installments of \$95,000 including interest, due 2003	5,445,937	\$ 6,025,141
Citibank, N.A., 7.25%, interest payable monthly, principal due 2005	1,975,694	2,236,631
Citibank, N.A., 7%, principal and interest payable in monthly installments equivalent to payments received from collateralized FHA mortgage loans, due 2003	1,623,692	2,099,709
Bank of Guam, 7.75% fixed until May 1997 and variable thereafter at the New York Money Center Prime Rate, not to exceed 9%, payable in monthly installments including interest, principal due 1999, refinanced and paid off in 1996	-	7,624,880
Federal Home Loan Bank of Seattle, 6.99%, payable in monthly installments of \$41,667, plus interest, principal due 2011	7,247,126	-
Government of Guam:		
4%, payable in monthly installments of \$79,989 including interest, due 2011 thru 2014	<u>11,225,130</u>	<u>11,725,095</u>
	27,517,579	29,711,458
Less current maturities	<u>(2,864,663)</u>	<u>(4,107,702)</u>
	<u>\$ 24,652,916</u>	<u>\$ 25,603,756</u>

Under the note agreements with Citibank and the Federal Home Loan Bank of Seattle, the borrowings are collateralized by mortgage loans made by the Corporation from the proceeds of the borrowings. As of September 30, 1996 and 1995, the Corporation has pledged as security for these loans approximately \$29,591,230 and \$27,729,733 of related outstanding mortgage loans, respectively.

The Corporation has complied with the restrictive covenants of its loan agreements with the financial institutions and the Government of Guam which provide for, among other requirements, collateral loan ratios, monthly delinquency reports on all loans and periodic submissions of financial statements.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(7) Notes Payable, Continued

The aggregate maturities of notes payable for the five years ending September 30, 2001, are as follows:

1997	\$ 2,864,663
1998	2,021,663
1999	2,077,663
2000	2,179,663
2001	2,291,563

(8) Employees' Retirement Plan

All permanent employees of the Government of Guam hired prior to October 1, 1995, are eligible members of the Government of Guam Employees' Retirement System, a defined benefit, contributory pension plan which covers substantially all employees of the Corporation and which is administered by the Government of Guam Retirement Fund, to which the Corporation contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan. For the years ended September 30, 1996 and 1995, total payroll and covered payroll amount to \$1,328,960 and \$1,147,968 and to \$1,447,820 and \$1,386,846, respectively.

Public Law 22-006, which increased the retirement contribution rates for both members and employers on a phased-in basis, was signed into law on March 29, 1993. The effective date was April 4, 1993. The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. As a result of the most recent actuarial valuation performed as of September 30, 1995 and 1993, for the years ended September 30, 1996 and 1995, respectively, a minimum employer contribution rate of 18.60% and 20.77%, respectively, of covered payroll plus employee contributions at the statutory rate of 9.5% of covered payroll is required to appropriately fund the current cost and to amortize the unfunded accrued liability over a period of 30 years. The employer's statutory contribution rate was 19.675% and 17.708% in 1996 and 1995, respectively. Accordingly, the Corporation has decreased accruals by 1.075% in 1996 and accrued additional contributions at 3.062% in 1995 of covered payroll, based on the difference between the actuarially determined contribution rate and the employer's statutory rate. The Corporation has also accrued 8% interest on its deferred contributions.

The cost to the Corporation for retirement contributions for the years ended September 30, 1996 and 1995 is \$319,294 and \$385,983, which includes cash contributions of \$225,248 and \$243,185, respectively, and accruals of \$94,046 and \$142,798, respectively. Interest expense on the cumulative deferred contribution is \$113,757 for 1996 and \$102,913 for 1995.

The Plan utilizes the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 6.5% per annum. The most recent actuarial valuations performed as of September 30, 1995 and 1993, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor which are relevant to the Corporation since such determinations are not made for individual participating agencies of the Government of Guam.

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(8) Employees' Retirement Plan. Continued

On September 29, 1995, the Guam Legislature passed Public Law 23-43 which created the Defined Contribution Retirement System (DCRS). All employees of the Corporation, hired after October 1, 1995, are members of the DCRS, a defined contribution, contributory pension plan. The Board of Trustees of the Government of Guam Retirement Fund is responsible for the administration of the DCRS. Investment management and plan administration services for the DCRS are administered by a private firm contracted by the Board of Trustees.

Contributions into the DCRS by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Employer contributions into the DCRS are based on a statutory amount of 19.675% of the member's regular base pay. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining 14.675% is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, and have attained the age of 55 years at termination, have a vested balance of 100% of both member and employer contributions plus any earnings thereon. Members who have completed five years of service, but have not attained the age of 55, are eligible only for the amount of member contributions plus any earnings thereon.

(9) Contributions from Government of Guam and Federal Government

In fiscal year 1993, in Public Law 21-146 the Government of Guam appropriated \$980,000 from the General Fund to complete the master plan for the development of affordable, market, and special needs housing units. As of September 30, 1996 and 1995, \$187,851 has been expended for the master plan and is recorded in other receivables. The appropriation will be recorded upon the receipt of funds from the General Fund.

On July 6, 1994, the Federal Emergency Management Agency (FEMA) transferred to the Corporation two houses, which were appraised at a market value of \$171,500 on September 23, 1996, and recorded by the Corporation as a contribution. On September 27, 1996, the Corporation sold the houses to GRC for \$171,500 and retained the initial contribution from FEMA in the financial statements.

(10) Related Party Transactions

The Corporation is the management agent of the Guam Rental Corporation, from which it received a fee of \$102,331 in 1996 and \$98,987 in 1995. The same board of directors serves both corporations. (See Note 4 for loan receivable from Guam Rental Corporation.)

GUAM HOUSING CORPORATION
(A PUBLIC CORPORATION)

Notes to Financial Statements
September 30, 1996 and 1995

(10) Related Party Transactions, Continued

Public Law 21-146 was signed into law on January 12, 1993, authorizing the Governor of Guam to transfer title to 34.8 acres of land (Lot No. 10119-12) from Government of Guam to the Corporation to develop no less than two hundred moderately priced multi-family, multi-story housing rental units. A portion of the property is to be developed and used for public parks, open spaces and recreational facilities. A grant deed for the land was given to the Corporation on August 3, 1994. In fiscal year 1995 the property (Guma As-Atdas) was transferred to Guam Rental Corporation.

As of September 30, 1996 and 1995, a total of \$11,848 and \$11,675, respectively, is payable to GRC for labor in renovating the main office, and a total of \$138,690 and \$106,787, respectively, is receivable from GRC for reimbursement of GHC expenses for the As-Atdas project.

In accordance with Public Law 20-225, 46 acres of land were transferred to the Corporation from the Government of Guam upon which to develop affordable housing units for sale to first time homeowners. The units will be sold at cost of construction, plus 2% and \$3 per square meter for the house lot. The donated land was initially recorded at \$2.10 per square meter increased by the cost of the development incurred. Expenditures, net of reimbursements and rental income, related to the development of this property (the Lada Estates Project) amount to \$3,154,986 and \$3,156,034 at September 30, 1996 and 1995, respectively.

(11) Contingency and Commitment

On November 17, 1995, a claim was filed against the Corporation in the amount of \$565,000 for services rendered in fiscal year 1994. The Corporation is contingently liable for an amount ranging from \$0 to \$565,000, for which no provision has been recorded in the financial statements.

As of September 30, 1996 and 1995, the Corporation has a total of \$599,381 and \$660,735, respectively, in loan commitments.

(12) Other

As of September 30, 1995, the Corporation has approximately \$1,000,000 of the Government of Guam's Community Affordable Housing Action Trust (CAHAT) Program funds under its management. Such funds are not included in the accounts of GHC.

Synopses
to
Bill 149 (COR)

Introduced by Senator Mark Forbes, Chairman
Committee on Rules
by request of the Governor

SHORT TITLE

“AN ACT TO AMEND §4101, SUBSECTION (a) OF §4104, SUBSECTION (m) OF §4104, §4105, §4106, AND §4214, TO ADD A NEW §4103.5, SUBSECTION (n) OF §4104 AND §4106.1, AND ADD A NEW ARTICLE 6, ALL TO TITLE 12, GUAM CODE ANNOTATED (GCA), AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF UP TO \$63,000,000.00 OF REVENUE BONDS OF THE GUAM HOUSING CORPORATION (GHC), AND TO AMEND SECTIONS 4, 7, 8, 10, AND 13 OF P. L. 20-225, RELATIVE TO THE LADA ESTATES AFFORDABLE HOUSING PROJECT.”

Analysis:

1. Legislative Intent, Findings and Purpose & §1:

Bill 149 (COR) authorizes the issuance of \$63,000,000.00 of Revenue Bonds, with a maturity of forty (40) years or less at an interest rate not to exceed 9% per annum, tax exempt, or 12%, taxable, for the purpose of financing mortgage loans for the purchase of homes by low and moderate income residents of Guam pursuant to Subsection (k) of §2103 of Title 12, GCA, which provides that agencies and instrumentalities of the Government of Guam shall issue obligations only by means of and through the agency of Guam Economic Development Authority (GEDA) subject to the approval of the terms and conditions by the Legislature.

Lada Estate Affordable Housing Project is clearly one of the centerpiece of Governor Carl T. C. Gutierrez's Vision 2001! (This bill presents an excellent opportunity for compromise with the Governor!) 142,500 -

This project, located in the northern part of the island, involves developing 400 single family homes on GHC's government property and will cost low and moderate income residents of Guam purchasing the home approximately \$157,000 each. At an average cost of \$157,000 for each home, even with GHC's Second Mortgage Equity Program, serious question arises as to which low and moderate income residents of Guam is being targeted by GHC!

Further, while Bill 149 proposed amendments to several sections of Title 12, at first glance, appear to be cosmetic housekeeping and minor in nature, the amendments are , as a matter of fact, major policy shift and change for this government.

2. §2 of Bill 149 proposes to amend §4101 of Title 12, GCA, by adding “housing supply, and housing affordability” and “shall be deemed to be exercising essential government functions and” to the paragraph creating the Corporation. These amendments make GHC essentially identical with Guam Housing and Urban Renewal Authority (GHURA).

GHURA, by its enabling statute, has the responsibility of developing, increasing, preserving and enhancing affordable housing for low and moderate income residents of Guam and currently is authorized and recognized by the U. S. Department of Housing and Urban Development (HUD) as the affordable housing development authority with powers to issue all types of bonds and obligations through GEDA or through HUD.

With the philosophy of Government Reform, smaller but better, and emphasizing coordinated and planned efforts to provide the best types of service the residents of Guam deserve, Bill 149 may provide an excellent vehicle to consider consolidating GHC and GHURA so that the surviving agency will be charged with the total responsibility of developing and providing affordable housing to the residents of Guam.

3. §3 of Bill 149 proposes to add a NEW §4103.5 to provide a "Definition of Bonds" which already exists within the GHURA's enabling statute.

5. §4 proposes "Perpetual" succession for GHC instead of "fifty (50) years, unless sooner dissolved by Act of the Legislature".

6. §5 proposes to allow GHC to borrow "for any of its corporate purposes" and while it may be inconceivable to think that GHC will borrow money for soft or operating cost, this amendment to §4104(m) will allow precisely that!

7. §6 which proposes to allow GHC the power to refinance any of its bonds and §7 which clarifies that GHC's bonds are special obligations of GHC rather than a public indebtedness of the territory of Guam are considered cosmetic housekeeping amendments, as they pertain to the proposed bond issuing authority of GHC.

8. §8 and §9 propose specific "boiler-plate" languages necessary for the issuance of this type of indebtedness.

9. §10 proposes to expand the use of GHC's Foreclosure Protection Fund by allowing GHC to pledge the fund as additional security for the repayment of bonds issued by GHC under this Chapter. This defeats the original intent of the Foreclosure Protection Fund.

10. §11 proposes to add a new Article 6 creating GHC's Home Financing Act where "Eligible Mortgagors" is defined as any "persons and families eligible under the criteria of Section 143 of the Internal Revenue Code of 1986 to receive mortgage loans financed with the proceeds of bonds the interest on which is excludable from gross income for federal income tax purposes...". This same criteria is currently authorized in GHURA's statute.

11. §12 contains the approval of the Legislature of the terms and conditions of the bond indenture in the form presented to the Legislature however, it ALSO allows changes to be approved ONLY by the Governor, President of GHC and Administrator of GEDA without further advise and consent of the Legislature. The provision of the interest rate cap and the bond issue receiving an "A" rating from at least one nationally recognized rating service must be guaranteed. Allowing changes may guaranty the interest rate cap and an "A" rating but, at what cost and at what other terms and conditions! GHC and its consultants will argue that flexibility must be allowed. As a compromise, allowing the Chairman of the Committee on Revenue and Taxation to be the fourth approving authority may be explored!

12. §13 allows, on a best effort basis, GHC to offer the bonds for sale in Guam.

13. §14 defines "first time homeowners" as persons (families (married or single persons with dependents) is expanded to include even one person or two or more persons not married and with or without dependents). This defeats the intent to provide affordable, if this project is affordable at all, homes to the greatest number of individuals!

14. §15 repeals and re-enacts Section 7 of P. L. 20-225 to define more clearly GHC's Second Mortgage for Equity Program as it relates to the sale of the 400 units of the Lada Estate Affordable Housing Program pursuant to Section 143 of the IRS Code.

15. §16 amends Section 8 of P. L. 20-225 clarifying GHC's rights to exercise its option to purchase the units in the event of a first mortgage default.

16. §17 amends Section 10 of P. L. 20-225 requiring the assumption by the transferee of any bond-financed first mortgage to be subject to the requirements of Section 143 of the IRS Code.

17. §18 amends Section 13 of P. L. 20-225 clarifying that mortgages financed by qualified GHC bonds shall not be treated as financed by a mortgage subsidy program.

CONCLUSION:

This \$63,000,000.00 Revenue Bond Program will meet the need of the "gap group" but will not meet the need of low and moderate income residents of Guam. This "gap-group" consist of middle-income residents who are classified as ineligible for governmental (Federal or Local) housing subsidy but not "affluent" enough to qualify for a commercial bank conventional mortgage loan. This "gap-group" is probably the largest group of individuals needing assistance in locating or qualifying for an affordable housing program. It is in this respect that support for this legislation is a "win-win" situation.

This project can be made a lot better with more "depth" and "substance" however, it appears that the push is being exerted to get a "deal" done to fulfill Vision 2001 commitments. There are a number of short-fall in the packaging of this project:

A. I believe a private enterprise can successfully undertake this type of project more efficiently and less costly.

B. GHC was authorized to be a Mortgage Insurer for over a decade. This would have been a golden opportunity for GHC to inaugurate its statute authority of insure mortgages, even its own and eventually other financial institutions', yet, GHC hired a consultant to be the Mortgage Insurer flowing an estimated \$315,000 of mortgage insurance premiums annually for the life of this bond issue, 40 years!

C. Why wasn't a federal guaranty secured as THE credit enhancement?

D. Why does GHC have to go through these when GHURA, at present, is authorized to do the same, plus more?

If you have any question or require further information on this matter, please let me know.

RUFO TAITANO - BILL 162

RUFO C. TAITANO

P.O. BOX 2884; AGANA, GUAM 96932; PH: (671) 477-0573/FAX: (671) 472-5076

FAX TRANSMITTAL

DATE: 3.19.97 FAX NO: 472-3562 NO. OF PAGES: 4

TO: Senator Long Blay
Vice Speaker, H. C. L.

FROM: Rufo Taitano

RE: Bill no. 162

COMMENTS:

Just another view of Bill no. 162.

Bill no. 162
March 18, 1997

PROVISIONS

The Legislature (Sec. 1) finds that GHC's current requirement for its borrowers to submit three (3) letters of rejection from private mortgage lenders is a costly requirement since such rejection documents are now costing borrowers \$200.00 to \$400.00 for each rejection document. Furthermore, the rejection documents do not assure loan approval from GHC. The Legislature (Sec. 2) intends to relieve GHC borrowers of this costly provision and in fact did so by deleting this provision by amending Subsection (c) Sec. 4103, Title 12, GCA (Sec. 3.)

Section 3., further provides that:

- a) GHC is allowed to become a housing developer, and
- b) can develop rental housing for resale, and
- c) allow single borrowers without dependents to purchase homes from GHC's proposed Lada Estates housing development, and
- d) provide that HUD FHA sets the maximum loan limit and interest rates for GHC, and
- e) that no loans will be made for land purchase purposes only, and
- f) that all loans made must have fire, typhoon and earthquake insurance coverage, and finally
- g) that loans will be granted only to applicants who are unable to obtain conventional loans from private mortgage lenders.

DISCUSSION

- b) GHC under its subsidiary (Guam Rental Corporation), owns 115 units of below market rental units known as Lada Gardens, situated adjacent to the Wettengel Elementary School in Dededo. GHC also recently completed a 24 unit rental housing development in AsAtdas, Dededo. Bill 162 will allow GHC to sell these rental units and other rental housing developments it may have in the future.



Why would GHC want to sell their rental units when the units were designed and built for low and moderate income families. This would not only be contrary to GHC's stated purpose, but it would also prove an unconscionable act to the tenant families who will certainly be confronted with higher rents.

GHC, under Bill no. 149, proposes to issue a \$63mm mortgage revenue bond. The bond indenture provides that all properties of GHC may be pledged to secure the indebtedness and all GHC revenues may be assigned to support the debt service. Under the circumstances, should the bond fail and losses be incurred, the pledged and assigned assets will be used to recover such losses. This must not be allowed.

- c) P.L. 20-225, provides that GovGuam will transfer Lada Estates properties to GHC for sale to low and moderate income families. Bill no. 162 will allow single family persons without dependents to purchase homes from Lada Estates without amending P.L. 20-225.

Single persons without dependents should be allowed the same opportunity. They should not be discriminated upon for choosing not to have dependents. There should, however, be a priority criteria designed in favor of family applicants.

- d) GHC cannot lend more money than the maximum loan that FHA will insure nor can GHC impose a higher interest than that established by FHA for Guam. These are archaic and impractical provisions and should be deleted in favor of limits that will be determined by GHC's Board of Directors. This will allow GHC to be more prepared to react with the realities that exist in the mortgage lending industry.
- e) No loan shall be extended for the purpose of land purchase only.
- f) Bill no. 162 require that all homes financed by GHC must have typhoon insurance coverage. This is a proper requirement and necessary in order to protect GHC interest. Typhoon insurance coverage, however, is very expensive. It would serve the borrower's interest better if GHC will require that typhoon shutters be installed on the homes and waive the typhoon insurance coverage requirements. This will be consistent with Sen. Barrett-Anderson's effort to



drop typhoon insurance for homes having typhoon shutters. The additional expense for the purchase and installation of the typhoon shutters can be financed through a favorably amortized second mortgage.

The legislature however, must appreciate the fact that there will be families who domicile in wood frame or semi-concrete homes. Insurance companies refuse to insure these structures for typhoon coverage. These families do not necessarily prefer these homes, but it is all they can afford. This typhoon insurance requirement will preclude these families from obtaining GHC loans to improve their living conditions. A loan program should be developed to accommodate the home improvement needs of these families.

- g) Bill no. 162 deleted the requirements for borrowers to obtain rejection documents from private mortgage lenders yet it provides that no loans shall be granted unless the borrower is unable to obtain conventional type mortgage loans.

The result here is that after the Bill eliminated the three (3) rejection letter requirement, it put back a one (1) rejection letter requirement thereby reducing the requirement by two (2.) The rejection letter now required is a rejection for a conventional loan application where lenders usually impose a more stringent underwriting criteria simply because conventional loans are loans which lenders usually domicile in their loan portfolio and are not usually sold in the secondary market. Interest rates, loan-to-value ratio, debt service ratio and value of collateral are usually higher and the maturity is significantly less than the normal long term FreddieMac, GinnieMae, etc. type loans. In effect, a GHC borrower will be getting a rejection letter for a different type of loan than the type being applied for at GHC.



Notes for Bill 149

1. The standard documents submitted for a bond deals include:
 - the indenture
 - the bond purchase contract
 - a full set for financial projections showing sources and uses of funds, and debt service schedules
2. None of these are submitted. See Section 12 which also states that the Legislature is approving an indenture submitted to them but none has been submitted.
3. The Section 2 amendment needs to be looked at closely. Why is it needed?
4. Ask who drafted this legislation. It should have been Stan Dirks.
5. Section 3 "any corporate purpose" is very broad.
6. Section 6. If I remember correctly, GHC would have some arbitrage problems with refunding and their portfolio is not up to the credit standards of the housing bond market.
7. Section 7. Why delete the part that includes note or other evidence of indebtedness stating that they are special obligations and not an indebtedness of the government of Guam?

- 1) Redo = RFP Awarded to Smith/Borruy
- 2) GHA should replace CMAA as PMI provider
- 3) Seek BFLMC/PHA credit enhancement with PHMC - PNMA/GovMA Passed through Senate

Proposed Guam Housing Corp. \$50,000,000 housing bond

Purpose- To finance the takeout on the Lada gardens project and provide other mortgage money Lada gardens (this assumes the bond size is not increased to pay for the off-site)

Cost	\$47.5 (with off-site)	\$44. (wo off-site)
Mortgage	\$49.4	\$45.75
Takeout		
From FHLB	\$18.	\$18.
From Bond	\$31.4	\$27.750
For other mortgages	\$18.6	\$22.250

Benefits to homeowners

1. Down payment of 5% versus 20%
2. Interest cost on the amount financed lower by 100 basis points

However they will pay for private mortgage insurance

Additional expenses and risks to GHC

1. For the FHLB loan GHC will have to use some of their own mortgages to satisfy the security coverage of 125%.
2. GHC will share in the risk of the private mortgage insurer of about 3% of the value of the mortgages.
3. GHC will put in about \$900,000 for costs

Benefits for GHC (significant)

1. GHC gets fees either through servicing mortgage payments or up front when securities are purchased.
2. GHC is the residual beneficiary of the pool.

Structure of bond

1. \$20. Million in fixed interest bond
2. \$30. Million in convertible option bonds (CAB)
3. The CAB's will either be converted or liquidated after 42 months depending on the tax laws.
4. The purpose of issuing the CAB's instead of tranches is
 - A problem with the contractor
 - Arbitrage

notwithstanding the above phrase in quote.

Q- the phrase "but are not limited to" suggest that any provision under the indenture can be changed notwithstanding the provision under item e) above

Note: Private lenders are currently making 8.5 % mortgage loans, 30 year term, fixed rate, which are passed through to FREDDIE MAC at 0% discount. On construction loans, the rates are usually higher because the lenders use their own funds to finance the construction. This is only a temporary arrangement however, and only until the construction is completed at which time the loan is also passed on to FREDDIE MAC under a pre commitment arrangement fixed for 30 years at 8.5% . For obvious reasons under the circumstances, it may not be prudent for GHC to structure a tax exempt issue at the 9% rate allowed under this bill. GHC however, can proceed with the higher rate (12%) non-tax exempt issue and use the funds for its purposes such as financing the Lada Estates Subdivision Development or purchase mortgages or mortgage backed securities from private lenders or for whatever other purposes which the Legislature may not know about and may not even agree with. Is it possible that the form of indentures in the series of bond issues contemplated under this Bill, may be different from one issue to another?

4.2.97 (417-3562)

To: JREO CASTRO

FROM: R. TAVTANO

ADDITIONAL COMMENTS

Re. Sec. IV,

BILL NO. 149

Is this the reason why the Governor along with his two appointees were given so much latitude in making changes to an indenture or resolution having prior legislative approval without further legislative consent or review?

GHC, GEDA, the Governor, the bond underwriter, bond counsel, etc., all must know what the \$63mm will be used for. Since we are all in this together, it would be nice if the legislature might share in this information. It will certainly be required when the matter is deliberated on the floor.

I suspect that only tax exempt issues will be used towards providing low and moderate income loans. What portion of the \$63MM will be used for this purpose and how many loans does GHC anticipate this portion will generate?

Will any portion of the \$63mm be dedicated to refunding current indebtedness? If so, how much and will any of the indebtedness



have lower interest rates than the rate of the bond issue which will refund such indebtedness?

Section 13. Local Sale of Bonds.

GEDA and GHC will be diligent in their effort to have a portion of the bond offered for sale in Guam provided that such offer do not increase the cost to GHC and Government of Guam of issuing and repaying such bonds.

Q. - Does this provision imply that Government of Guam is also responsible for the repayment of the bond? If so, does this make the bond issue a Government Obligation?

Refer to provisions under Section 7, above.

Section 14. Clarifying the definition of first time homeowners for purposes of Public Law No. 20-225.

Section 4, P.L. 20-225 is amended to:

- a) Redefine the term "first time homeowners" to include single persons without dependents to be eligible to purchase homes at GHC's Lada Estates Subdivision, and
- b) that divorced persons having an ownership interest in a joint property also qualify as first time homeowners provided that their interests in residential real property is terminated prior the date of application for the purchase of a unit at GHC's Lada Estates Subdivision.

Note: These are good amendments. Single persons should not be discriminated upon merely because they prefer not to have dependents. A priority criteria however, should be devised to give preference to family applicants as the Legislature originally intended.

Section 15. Repealing and Reenacting Section 7 of Public Law 20-225 to define a second mortgage for equity in favor of Guam Housing Corporation.



Lada Estates Affordable Housing Project

SYNOPSIS

With Public Law 20-225, Guam Housing Corporation (GHC) was deeded 46 acres of Government property, and mandated to develop affordable housing units for sale to first time homeowners. In response to this legislative directive, GHC began the development of the Lada Estates Affordable Housing Project, a planned 400-unit residential development in the village of Dededo.

Our target market is the lower- to middle-income first time homebuyer. Specifically, these are families whose incomes are, in all likelihood, too low to qualify for conventional lending and yet they also earn too much to qualify for public housing assistance programs. Lada Estates is intended to provide the families within these income ranges the same opportunities for home ownership afforded to other income groups.

There are presently over 800 families eligible for this program who have already registered with GHC. The President decided to re-open accepting of new applications for 2 weeks from May 5th thru the 16th 1997.

A number of changes must be made to modify P.L. 20-225 to ease the implementation of this statute. To this end, amendments to P.L. 20-225 have been drafted for consideration by island legislators some of which are now embodied in Bill 149 under the Twenty-Fourth Guam Legislature. Rules and Regulations governing Lada Estates were submitted to the Legislature on October 09, and were subsequently approved through the process of Administrative Adjudication. Plans for the mandated lottery selection process are now underway.

The current development plans call for the design and construction of 399 units as one (1) unit was constructed during the immediate past administration.

An Invitation To Bid for Design-Build-Financing Services on this proposed Turnkey project was issued on July 24, 1996 by the Department of Public Works (DPW.) Twenty-seven (27) bids were received, however, only two (2) bids were submitted before the Bid Opening deadline on December 6, 1996. Subsequently, both bids were rejected for failure to meet the requirement regarding Bid bonding.

The Invitation to Re-Bid the project was published in the Pacific Daily News on May 2, 1997, sealed bids will be Publicly opened on May 30, 1997 at 2pm at DPW Solid Waste Conference Room. The target project completion timeframe is slated for 930 calendar days from commencement and issuance of Notice to Proceed (NTP.) In this case, January 2000.

Urgent

To: Vice-Speaker
Fr: Prime Sammy

Freddie Mac will pull out, if
we don't pass G H C's Mortgage
Revenue Bond before June 15, 1997.

It's time-critical; need to
entertain the bill now.

- Sammy

CHAPTER 4
GUAM HOUSING CORPORATION

- Article 1 General Provisions
- 2 Community Affordable Housing Action Trust Act
- 3 Government Participation Loan Act
- 4 Guam Housing Mortgage Insurance Corporation
- 5 Requirements and Regulations

Article 1
General Provisions

- §4101. Creation of Corporation: Name.
- §4102. Principal Offices.
- §4103. Authorized Activities of Corporation.
- §4104. General Powers: Termination Date.
- §4105. Bonds as Special Obligations.
- §4105.1. Waiver of recordation and other fees.
- §4105.2. Bonds as general obligations of the Housing Corporation.
- §4106. Trustee for Board and Bondholders.
- §4107. Utilization of Federal Agencies and Instrumentalities.
- §4108. Housing Corporation Guarantee Fund.
- §4109. Direct Loans to Veterans.
- §4110. Corporation's Use of Funds.
- §4111. Appropriations.
- §4112. Board of Directors.
- §4113. Transfer of Functions.
- §4114. Rental Housing Guarantee.
- §4115. Authorization to accept direct advances from the Federal Home Loan Bank.

§4101. Creation of Corporation: Name. In order to promote the general welfare of the inhabitants of the territory of Guam through the improvement of housing standards in Guam, there is created a body corporate to be known as the Guam Housing Corporation, hereinafter referred to as the Housing Corporation. The Housing Corporation shall be subject to the general direction of the Governor of Guam.

SOURCE: GC §20000.

§4102. Principal Offices. The Housing Corporation shall have its principal offices in the territory of Guam and shall be deemed to be an inhabitant of this jurisdiction. The Housing Corporation may establish offices in such place or places as it may deem necessary or appropriate in the conduct of its business.

SOURCE: GC §20001.

§4103. Authorized Activities of Corporation. The Housing Corporation is authorized to engage in the following activities when it finds that such activities will further the purposes of this Chapter and will not conflict with the encouragement and promotion of private enterprise in the territory of Guam:

(a) To encourage and promote the investment of private capital in low and moderate income residential housing in Guam. The Housing Corporation shall formulate its policies so as to encourage and promote the investment of capital owned by residents of Guam.

(b) To engage in land-use planning for residential housing purposes to the end that the most economic and socially beneficial use may be made of land, and to encourage and assist private persons and organizations to act in accordance with the results of such planning.

(c) To encourage and engage in low and moderate income housing activities, including development of residential subdivisions, construction of housing for rental or resale, and to make loans to any person for the purchase, construction, improvement or repair of a home. All loans so made shall be of such sound value or so secured as reasonably to assure repayment, taking into consideration the policy of the Legislature that the lending powers to the Guam Housing Corporation (the "Corporation") shall be administered as a means of accomplishing the purposes stated in §4101 of this Chapter, and shall bear interest at a rate to be determined by the Board of Directors of the Corporation but not exceeding the Federal Housing Administration rate.

Loans should be made to the residents of Guam to enable them to purchase or construct permanent homes which are insurable under a standard Guam Home Owner's insurance policy to include but not be limited to the perils of tropical cyclones, earthquakes, and fire. All loans for the purchase, construction, or purchase of land and construction of such home shall not exceed the Federal Housing Administration loan limit established by the U.S. Department of Housing and Urban Development for Guam. No loan may be used exclusively for the purchase of land. Loans shall be given only to residents who have been unable to obtain conventional financing from commercial lending institutions, including but not limited to banks and savings and loan associations. At least three (3) written loan refusals from commercial lending institutions shall be presented upon application for a Corporation loan.

(d) To encourage and promote the construction of housing units for rent within the capacity of families of

low and moderate income. To assist in the development of tourist hotel facilities as provided in this Chapter.

(e) To make a low interest loan to any homeowner whose living space in his primary residence was damaged as a result of the earthquake on Guam on August 8, 1993 to repair such residence; provided, that the homeowner did not have insurance to cover the loss and did not qualify for a loan from the U.S. Small Business Administration sufficient to complete the earthquake repair, or from any other financial institution. First priority for such loans shall be given to those homeowners whose primary residence is mortgaged to the Housing Corporation.

SOURCE: GC §20002; Subsections (a) and (c) amended by P.L. 16-42; Subsection (c) further amended by P.L. 18-2 and P.L. 18-34. Subsection (c) R/R by P.L. 20-210:13. Subsection (c) was further amended by P.L. 22-113:6. Subsection (e) added by P.L. 22-24:6 (8/31/93).

§4104. General Powers: Termination Date. The Housing Corporation shall have, and may exercise, the following general powers in carrying on the activities specified in this Chapter:

(a) To have succession for fifty (50) years, unless sooner dissolved by Act of the Legislature.

(b) To adopt, alter and use a corporate seal, which shall be judicially noticed.

(c) To adopt, amend and repeal by laws governing the conduct of its business and the performance of the powers and duties granted to or imposed upon it by law.

(d) To sue and to be sued in its corporate name.

(e) To determine the character of and the necessity for its obligations and expenditures and the manner in

which they shall be incurred, allowed and paid, subject to the laws applicable specifically to government corporations.

(f) To acquire, in accordance with Title VII-A of the Government Code and the laws of Guam, any property, real, personal or mixed, tangible or intangible, to hold, maintain, use and operate the same; and to sell, lease or otherwise dispose of the same, whenever any of the foregoing transactions are deemed necessary or appropriate to the conduct of the activities authorized by this Chapter, and on such terms as may be prescribed by the Housing Corporation.

(g) To enter into and perform such contracts, leases, cooperative agreements or other transactions with any agency or instrumentality of the United States, or with any state, territory or possession, or with any political subdivision thereof, or with any person, firm, association or corporation, as may be deemed necessary or appropriate to the conduct of the activities authorized by this Chapter, and on such terms as may be prescribed by the Housing Corporation. Provided, that in no case shall the Housing Corporation contract to undertake an activity for any agency or instrumentality of the United States, or for any state, territory or possession, or for any political subdivision thereof, unless the latter is authorized by law to undertake such activity and furnishes the funds for such purpose.

(h) To execute all instruments necessary or appropriate in the exercise of any of its functions.

(i) To appoint, pursuant to the provisions of the personnel rules adopted pursuant to 4 GCA §§4105 and 4106, such officers, agents, attorneys and

employees, as may be necessary for the conduct of the business of the Housing Corporation; to delegate to them such powers and to prescribe for them such duties as may be deemed appropriate by the Housing Corporation; to fix and pay such compensation to them for their services as the Housing Corporation may determine, without regard to the compensation laws and to require bonds from such of them as the Housing Corporation may designate, the premiums, therefore, to be paid by the Housing Corporation. Any member of said Board who is found by the Governor or his representative to be guilty of a violation of this Section shall be removed from office by the Governor and any appointee of said Board who is found by the Board to be guilty of a violation of this Section shall be removed from office by said Board. The Housing Corporation shall give due consideration to residents of Guam in the selection and promotion of its officers and employees.

(j) To accept gifts or donations of services or of property -- real, personal or mixed, tangible or intangible -- in aid of any of the activities authorized by this Chapter.

(k) To settle and adjust claims held by it against other persons or parties and by other persons or parties against the Housing Corporation.

(l) To take such action as may be necessary or appropriate to carry out the powers and duties herein or hereafter specifically granted to or imposed upon it.

(m) To borrow funds required to finance or refinance its revenue producing projects by the issuance, from time to time, of bonds, notes or other evidences of indebtedness under such terms and

conditions as the Housing Corporation may prescribe, and to dedicate revenue derived therefrom to the repayment of such bonds, notes or other evidences of indebtedness.

SOURCE: GC §20003 Subsection (f) amended by P.L. 16-124; Subsection (i) amended by P.L. 16-23; Subsection (m) amended by P.L. 16-42.

§4105. Bonds as Special Obligations. Every bond, note or other evidence of indebtedness shall recite that it is not a general indebtedness of the Housing Corporation but rather is a special obligation of the Housing Corporation payable solely from the revenue specified in the indenture or resolution providing for its issuance. Every bond shall recite that it is not public indebtedness of the territory of Guam as that term is used in Section 11 of the Organic Act.

SOURCE: GC §20003.1, as added by P.L. 16-42.

§4105.1. Waiver of recordation and other fees. All fees charged by the Department of Land Management to any party in the recordation or release of any documents pursuant to the administration, pledge, assignment or collateralization of any loan between the Guam Housing Corporation and any of its creditors are hereby waived. Any fee charged by the Guam Economic Development Authority for any service rendered in regard to a loan agreement between the Guam Housing Corporation and the Bank of Guam is also hereby waived.

SOURCE: Added by P.L. 22-113:3.

§4105.2. Bonds as general obligations of the Housing Corporation. Notwithstanding the provisions of §4105 of this chapter, the Housing Corporation is authorized to issue debt as a general obligation of the Housing Corporation on an unsecured basis, payable from the Housing Corporation's general operating cash inflows. The amount of such general obligation debt outstanding at any one time shall

not exceed the Housing Corporation's net worth as determined by Generally Accepted Accounting Principles ("GAAP"). Every such bond or other evidence of such debt shall recite that it is not a public indebtedness of the territory of Guam as the term is used in Section 11 of the Organic Act of Guam."

SOURCE: Added by P.L. 22-113:5.

§4106. Trustee for Board and Bondholders. (a) The Housing Corporation may appoint a bank or trust company to act as trustee for the Board and the holders of the bonds issued hereunder, and the Board may authorize the trustee to act on behalf of the holders of the bonds, or any stated percentage thereof, and to exercise and prosecute on behalf of the holders of the bonds such rights and remedies as may be available to the holders.

(b) The indenture or resolution pursuant to which any bonds are issued may provide for (i) the deposit of all revenues with the trustee and for the holding thereof by the trustee in one or more separate funds or accounts and (ii) the transfer to such trustee of such portions of revenues as are provided as security for the bonds and for the holding thereof by such trustee in one or more separate funds or accounts. All money in such fund or account shall be disbursed only as provided in the indenture or resolution pursuant to which the bonds are issued.

(c) Any indenture or resolution pursuant to which bonds of the Housing Corporation are issued may provide for the payment of the principal and interest of the bonds at one or more places in the Territory or in the United States and in any specified coin or currency of the United States.

SOURCE: GC §20003.2, as added by P.L. 16-42.

§4107. Utilization of Federal Agencies and Instrumentalities. The Housing Corporation, in carrying on the activities authorized by this Chapter shall utilize, to the extent allowed by law, the available services and facilities of agencies and instrumentalities of the Federal Government or of the government of Guam; and shall not engage in any undertaking which substantially duplicates an undertaking previously initiated and currently being prosecuted within Guam by any such agency or instrumentality.

SOURCE: GC §20004.

§4108. Housing Corporation Guarantee Fund. The "Finance Agency Guarantee Fund" heretofore created and existing pursuant to former §§20002, 20003 and 20003.1 of the Government Code of Guam is hereby redesignated "Housing Corporation Guarantee Fund" and the same is hereby transferred to the Housing Corporation and set aside as a separate and special revolving fund of this Housing Corporation. The Housing Corporation shall have the power to insure and guarantee, as to principal or interest or both, and upon such conditions, rules and regulations as it may prescribe, but only from the aforesaid Guarantee Fund, the repayment in whole or in part of any loan made by any public or private lending agency authorized to do business in Guam.

SOURCE: GC §20005.

§4109. Direct Loans to Veterans. To assist in the housing needs of voting residents of Guam who are veterans of the Armed Forces of the United States, who served during the Second World War, during the Korean Conflict, or during the war in Vietnam, and who were honorably discharged from service, the Housing Corporation may make direct loans to such veterans. Such loans shall be made from the Housing Corporation's Guarantee

Fund and upon such terms and conditions and under such rules and regulations as the Board may prescribe. It is the intent of the Legislature that such loans may be made to such veterans whether or not adequate financing is available on reasonable terms from a lending agency. No loan in excess of Sixteen Thousand Dollars (\$16,000) shall be made for the construction of a new home provided that up to Two Thousand Dollars (\$2,000) of such amount may be used to purchase a homesite.

SOURCE: GC §20006.

§4110. Corporation's Use of Funds. (a) The Housing Corporation is authorized to use its funds, from whatever source derived, in the exercise of its corporate powers and functions.

(b) The Housing Corporation shall contribute to the government of Guam Retirement Fund on the basis of annual billings as determined by the Department of Labor and Personnel, for the Government's share of the cost of the retirement system applicable to the Housing Corporation's employees and their beneficiaries. The Housing Corporation shall also contribute to the Workmen's Compensation Fund on the basis of annual billings, as determined by the Workmen's Compensation Commissioner, for the benefit payments made from such fund on account of the Housing Corporation's employees.

SOURCE: GC §20007.

§4111. Appropriations. (a) Appropriations are authorized for payment to the Housing Corporation in the form of a grant, in such amounts as may be estimated in advance in the annual budget as necessary to cover losses to be sustained in the conduct of its activities which are included in the annual budget as predominantly revenue-producing. The Housing Corporation's annual budget

program shall specifically set forth any loss sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are authorized for payment to the Housing Corporation to cover such additional losses incurred.

(b) Appropriations are also authorized for payment to the Housing Corporation in the form of a grant, to be accounted for as general funds of the Housing Corporation, in such amounts as may be necessary to meet expenses to be incurred for specific programs which are included in the annual budget as not predominantly of a revenue-producing character. Provided, however, that (1) in the case of activities of a predominantly non-revenue-producing character the expenses shall not exceed the amounts of the grants for these activities, and that (2) the funds granted under this Subsection shall be expended only upon certification by a duly authorized certifying officer designated by the Housing Corporation.

SOURCE: GC §20008.

§4112. Board of Directors. The management of the Housing Corporation shall be vested in a Board of Directors consisting of seven (7) members including a chairman who shall be appointed by the Governor of Guam, with the advice and consent of the Legislature.

The Directors shall serve for a period of six (6) years, except that (1) any director appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term, and (2) the terms of office of the directors first taking office after June 30, 1963, shall expire, as designated by the Governor at the time of appointment, one (1) the end of two (2) years, one (1) at the end of four (4) years, one (1) at the end of six (6) years, and one (1) at

the end of eight (8) years, after June 30, 1963. Qualifications of Board members shall include demonstrated ability, attachment to the public interest, impartiality, and diversified experience among its members. The Board shall be responsible for overall policy-making and general supervision. The Board shall meet at least quarterly. The Board of Directors shall act only by a majority vote of those present at a meeting attended by a quorum, and such quorum shall consist of four (4) Directors. Subject to the foregoing limitation, vacancies in the membership of the Board shall not affect its power to act. Directors shall not participate in any decision of the Board which will directly involve or affect their personal business affairs. The Directors receive no salary for their services on the Board, but under regulations and in amounts prescribed by the Board, with the approval of the Governor, may be paid by the Housing Corporation reasonable per diem fees, and allowances in lieu of subsistence expenses, for attendance at meetings of the Board and for time spent on official service of the Housing Corporation, and their necessary travel expenses to and from meetings or when upon such official service. The administrative functions shall be performed by a full-time staff headed by a president appointed by the Board, subject to approval of the Governor and the consent of the Legislature. The president shall be responsible to the Board for the execution of programs and policies adopted by the Board and for the day-to-day operations of the Housing Corporation. Between meetings of the Board, the president shall see that the Housing Corporation faithfully executes the programs and policies adopted by the Board.

SOURCE: GC §20009.

§4113. Transfer of Functions. (a) There is transferred to the Housing Corporation the following property:

(1) All the assets and property -- real, personal and mixed, tangible and intangible -- of the Guarantee Fund of the Guam Finance and Development Corporation. The value of the property so transferred shall be fixed at the value shown on the books of the Guam Finance and Development Corporation at the date of transfer.

(b) The Housing Corporation shall assume and discharge all of the liabilities of the Guam Finance and Development Corporation.

(c) The servicing of all loans heretofore granted by the Guam Finance and Development Corporation shall continue to be the responsibility of this Housing Corporation.

SOURCE: GC §20010.

§4114. Rental Housing Guarantee. (a) The Housing Corporation is authorized to guarantee payment of loans in an amount not to exceed seventy-five percent (75%) of the total development and construction cost of rental housing under all Federal Housing Administration multi-family housing programs. Any such project must consist of not more than ten (10) rental units. The Housing Corporation may pledge its assets in support of any guarantee hereunder.

(b) The Housing Corporation will provide by regulation for the implementation of this Section, which regulations shall provide, without limitation, for submission to the Housing Corporation of necessary data in support of an application for guarantee, any charge to be made or security to be furnished with respect to such guarantee and for the procedure to be followed in case of default.

(c) The Governor of Guam, with the concurrence of the Committee on Rules of the Guam Legislature, is authorized

to execute such documents as may be required to assure the integrity of a guarantee given pursuant to this Section, and, to that end, may pledge the full faith and credit of the government of Guam.

(d) In the event of default in payment on any loan guaranteed, in accordance with applicable regulations, it shall be the primary responsibility of the Housing Corporation to make such payments as may be required in support of its obligation, if the Housing Corporation, for whatever reason, is unable to do so either in whole or in part, any deficiency therein shall be met by appropriation.

SOURCE: GC §20012.

§4115. Authorization to accept direct advances from the Federal Home Loan Bank. The Federal Housing Finance Board has authorized the Federal Home Loan Bank of Seattle to lend to the Housing Corporation as a non-member mortgagee. Pursuant to the provisions of the Financial Institution Reform Recovery and Enforcement Act authorizing the Federal Home Loan Banking System to extend advances to state housing finance authorities, the provisions of §10b of the Federal Home Loan Bank Act, and the rules and regulations of the Federal Housing Finance Board, the Housing Corporation is hereby authorized to periodically borrow funds from the Federal Home Loan Bank of Seattle ("FHLB") as needed to finance the Housing Corporation's lending and real estate development activities in the form of direct FHLB advances under FHLB's rules regarding non-member mortgagees without further legislative approval. The Housing Corporation shall use all such FHLB advances according to the following preferences: First, to qualified applicants who have submitted applications to the Housing Corporation and are awaiting funding, and second, to all other eligible applicants.

12 GCA - AUTONOMOUS AGENCIES

SOURCE: Added by P.L. 22-113:4.

CH. 4 - GUAM HOUSING CORPORATION
ART. 1 - GEN. PROVISIONS - 1994 UPDATE - P. 15

shall be penalty interest as set by GHC charged on the amount disbursed.

§4213. GHC Participation as a Lender. (a) An applicant who is unable to qualify for a mortgage loan with at least three (3) commercial lenders under the program set out in this Article is eligible for a GHC loan under 4103(c) of this Title and may qualify for an Interest Free Loan under this Article; provided, such applicant falls within the income guidelines of this Article.

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

§4214. Foreclosure Protection Fund. There is hereby created the Foreclosure Protection Fund (the "Fund"). The Fund shall be used by GHC to protect the interest of the Trust as the second mortgagee and shall be used exclusively for the purpose of paying off the first mortgage on foreclosure.

§4215. Mortgage Insurance or Guarantee. If it is necessary to encourage participation in the program by Financial Institutions, the Corporation may enter cooperative programs to obtain mortgage risk insurance or guarantee loans against losses as a result of default and subsequent foreclosure.

P.L. NO. 20-224

c. If the employee does not receive payment pursuant to subparagraphs (1) and (2) of this paragraph (a), the rates are the basic per diem rates. This subsection is effective as of June 2, 1989."

Section 13. Twenty Thousand Dollars (\$20,000) are appropriated from the General Fund to the Sinajana Municipal Planning Council to renovate that portion of the Sinajana Community Center occupied by the administrative offices of Guma'Mami, Inc.

Section 14. (a) Five Million Dollars (\$5,000,000) are appropriated from the General Fund to the Office of the Governor to assist in repairing damage caused by Typhoon Russ, which passed over Guam December 20-21, 1990. This appropriation may be used for repairing damage to power, water, road, housing rental and other problems occurring throughout the island, including direct grants of up to One Thousand Dollars (\$1,000) per family. For purposes of this Section, any monies received as a disaster relief from the government of Guam shall not be considered as income for the family.

(b) The Office of the Governor shall report to the Legislature periodically and within sixty (60) days of the effective date of this Act on the progress of the repair of damage from Typhoon Russ and shall report on expenditures made from this appropriation.

(c) The Office of the Governor shall make a plan for future island improvements, especially in the area of housing, to secure the people of Guam more adequately from typhoon damage in the future and shall transmit this plan to the Legislature within said sixty (60) day period.

(d) The Governor shall establish by Executive Order rules and regulations governing the grants authorized by this Section and waiving the provisions of the Administrative Adjudication Law.

PUBLIC LAW NO. 20-225

Bill No. 44 (LS)	Introduced by:	P.C. Lujan
Date Became Law: Jan 11, 1991	T.S. Nelson	J.T. San Agustin
Governor's Action: Approval	G. Mailloux	J.P. Aguon
	E.P. Arriola	J.G. Bamba
	M.Z. Bordallo	D.F. Brooks
	H.D. Dierking	E.R. Duenas
	E.M. Espaldon	C.T.C. Gutierrez
	M.D.A. Manibusan	D. Parkinson

P.L. NO. 20-225

F.J.A. Quitugua E.D. Reyes
M.C. Ruth F.R. Santos
T.V.C. Tanaka A.R. Unpingco

AN ACT AUTHORIZING THE GOVERNOR OF
GUAM TO TRANSFER CERTAIN PROPERTY
IN DEDEDO TO THE GUAM HOUSING
CORPORATION TO DEVELOPE AFFORDABLE
HOUSING FOR SALE TO FIRST TIME
HOMEOWNERS.

- Section 1... Legislative findings. The legislative finds that there is a critical shortage of affordable housing on Guam.
- Section 2... Authorizing the Governor of Guam to transfer a certain property in Dededo to the Guam Housing corporation to develop affordable housing for sale.
- Section 3... The conveyance of said lots in Dededo shall take effect upon completion of the land registration by the government of Guam.
- Section 4... Definition of *first time homeowners*.
- Section 5... The units shall be allocated to families whose incomes are up to 100% of the median income for Guam.
- Section 6... The units shall be sold at cost plus two percent (2%) and Three Dollars (\$3) per square meter for the house lot and for a first time owner.
- Section 7... Equity of the
- Section 8... In the event of default, the Corp. shall be given the right of first refusal prior to a public auction.
- Section 9... No displacement. No person with an authorized land use permit shall be displaced from the government of Guam land.
- Section 10... Gifts. The homeowner may without consideration transfer by means of a gift, the home purchased under this Act to any member of the homeowner's immediate family.
- Section 11... Priorities. The priority for sale of each affordable housing unit shall be established by a lottery system to be conducted by the corporation.
- Section 12... Zoning of property.
- Section 13... No subsidy mortgages are available to families who purchase a home under this Act.

P.L. NO. 20-225

- Section 14... Protective covenants shall be included in the deeds to require the homeowners to maintain and keep up their homes in order to protect the home's value.
- Section 15... Homes purchased under this Act must be owner-occupied during the twenty-five (25) year period.
- Section 16... The Corporation shall review and approve a minimum of three (3) house designs.

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

Section 1. Legislative findings. The Legislature finds that there is a critical shortage of affordable housing on Guam and further finds that significant savings can also be realized if the government of Guam uses its negotiating leverage to build housing units at less than market prices on government land for sale to low and middle income families. The Legislature further finds that it is nearly impossible for most low or middle income families on Guam to purchase homes at market prices.

Section 2. Authorization. The Governor of Guam is authorized to transfer Lot No. 10120-14, consisting of eight (8) acres, and Lot No. 10120-16, consisting of thirty-eight (38) acres, both of Dededo, to the Guam Housing Corporation (the "Corporation") to develop affordable housing units for sale to first time homeowners who are U. S. citizens or permanent resident aliens and who have been domiciled in Guam for a five (5) consecutive year period immediately preceding the date of sale of the unit.

Section 3. Registration. The conveyance of said lots shall take effect upon completion of the land registration of Basic Lot No. 10120 by the government of Guam.

Section 4. Definition of first time homeowners. "First time homeowners" are defined as families (married persons or single persons with dependents) who have not had any ownership interest in residential real property within the three (3) year period immediately preceding the date of sale of a unit developed under this Act. Divorced persons or individuals having an ownership interest in the property of the parents do qualify as first time homeowners; provided, that any interest in residential real property is terminated prior to the purchase of a unit developed under this Act.

Section 5. Allocation. The units shall be allocated to families on the following basis: Thirty percent (30%) to families whose incomes are up to one hundred percent (100%) of the median income for Guam established by the U. S. Department of Housing and Urban

Development ("HUD"); fifty percent (50%) to families whose incomes are between one hundred percent (100%) and one hundred thirty percent (130%) of such HUD-established median income; and twenty percent (20%) to families whose incomes are between one hundred thirty (130%) and one hundred fifty percent (150%) of such HUD-established median income. The homes may be sold to families in the next lower or higher category in the event that there are insufficient qualified applicants in a given class.

Section 6. Prices. The units shall be sold at cost plus two percent (2%), and Three Dollars (\$3) per square meter for the house lot, and for a first time owner, no down payment shall be required. Costs shall include but are not limited to all costs associated with the design, on-site infrastructure, construction, financing, sale and project management of the development. The two percent (2%) in excess of the costs shall be retained by the Corporation for the payment of expenses it will incur during the construction and monitoring of the project. The cost of off-site infrastructure and off-site access roads shall be the responsibility of the government of Guam. On-site infrastructure is defined as all infrastructure improvements inside the lots described in Section 2 of this Act. The proceeds from the sale of the lots shall be retained by the Corporation. Of these proceeds, Two Hundred Thousand Dollars (\$200,000) shall be used to prepare a comprehensive housing study on homeownership for Guam and the balance shall be used for costs associated with future affordable housing projects. The Corporation shall establish a fund for the proceeds of the land sales that is separate from its other accounts and shall report to the Legislature each year on the status of this fund.

Section 7. Equity to Corporation. The equity between the selling price of each unit and the initial appraised value of each unit at the time of sale shall remain the property of the Corporation for a period of not less than twenty-five (25) years following the sale of the property. The Corporation shall be given the right of first refusal on all homes sold by the initial owners and subsequent owners who purchase a home constructed under this Act from the Corporation in the event the homes are sold within twenty-five (25) years of the date of purchase. The right of first refusal price on sale of the home shall be the original selling price plus any equity beyond the initial appraisal not to exceed five percent (5%) per year. In the event the homes are purchased by the Corporation, they shall be sold at cost to first time homeowners who shall be subject to the equity sharing provisions of this section. The owners shall not mortgage or attach or cause to attach any liens for equity which is not considered to be theirs under this section. Homes purchased under the Corporation's right of first refusal shall be sold at cost plus ten percent

(10%). The Corporation shall share in the equity on all homes sold that were acquired by the right of first refusal for a period of twenty-five (25) years following the date by the same formula that applied to the original homeowner under this Act.

Section 8. Default. In the event of default, the Corporation shall be given the right of first refusal prior to a public auction. The right of first refusal price in the event of a default shall be the amount outstanding on the loan including interest, fees, penalties, collection fees and other associated costs.

Section 9. No displacement. No person with an authorized land use permit shall be displaced from the government of Guam land transferred in this Act without receiving compensation representing the fair market value of any improvement constructed on the land by such permittee and loss of crops, together with reasonable relocation assistance by the Corporation.

Section 10. Gifts. The homeowner may without consideration transfer by means of a gift, the home purchased under this Act to any member of the homeowner's immediate family. For purposes of this Act, "immediate family" is defined as the homeowner's spouse, parents, and children by birth or by legal adoption. In cases of authorized family transfer, the same restrictions that applied to the previous homeowner apply to the new homeowner.

Section 11. Priorities. The priority for sale of each affordable housing unit shall be established by a lottery system to be conducted by the Corporation. The Corporation shall under the provisions of the Administrative Adjudication Law develop rules and regulations to govern this Act which are consistent with this Act and to applicable law.

Section 12. Zoning. Upon conveyance of the property described in Section 2 of this Act to the Corporation, such property shall thereupon be zoned as a "Planned Unit Development" (PUD).

Section 13. No subsidy mortgages. Families who purchase a home under this Act are not eligible for government of Guam mortgage subsidy programs.

Section 14. Protective covenants. The Corporation shall include covenants in the deeds conveying the units that will require the homeowners to maintain and keep up their homes in order to protect the homes' value.

P.L. NO. 20-225

Section 15. Owner-occupied homes. Homes purchased under this Act must be owner-occupied during the twenty-five (25) year period set out in Section 7 of this Act.

Section 16. Designs. The Corporation shall review and approve a minimum of three (3) house designs for the project authorized by this Act.

PUBLIC LAW NO. 20-226

Bill No. 482 (LS)	Introduced by:	D. Parkinson
Date Became Law: Jan. 28, 1991	J.T. San Agustin	F.J.A. Quitugua
Governor's Action: Approved	G. Mailloux	J.P. Aguon
	T.S. Nelson	E.P. Arriola
	J.G. Bamba	M.Z. Bordallo
	D.F. Brooks	H.D. Dierking
	E.R. Duenas	E.M. Espaldon
	C.T.C. Gutierrez	P.C. Lujan
	M.D.A. Manibusan	E.D. Reyes
	M.C. Ruth	F.R. Santos
	T.V.C. Tanaka	A.R. Unpingco

AN ACT TO AMEND 19.30 OF TITLE 9,
GUAM CODE ANNOTATED, ON ASSAULTING
A PEACE OFFICER.

Section 1... Amended 9 GCA 19.30, on assaulting a peace officer.

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

Section 1. 19.30 of Title 9, Guam Code Annotated, is amended to read:

"19.30. Assault; Defined & Punished. (a) A person is guilty of assault if he:

(1) either recklessly causes or attempts to cause bodily injury to another;

(2) recklessly uses a deadly weapon in such a manner as to place another in danger of bodily injury; or

(3) by physical menace intentionally puts or attempts to put another in fear of imminent bodily injury.

(b) An assault against a peace officer who is performing his official duties as a peace officer is a felony of the third degree if the perpetrator knew or should have known that the victim was a peace officer. In any assault against a peace