



OFFICE OF THE GOVERNOR
GUAM

MAR 24 2000

The Honorable Joanne M. S. Brown
Legislative Secretary
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Suite 200
130 Aspal Street
Hagåtña, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY

ACKNOWLEDGMENT RECEIPT

Received By [Signature]

Time 10:35am

Date 3.27.00

Dear Legislative Secretary Brown:

Enclosed please find Bill No. 378 (COR), "AN ACT TO ADD ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THIS ACT AS 'THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000', which I have signed into law today as **Public Law No. 25-111**.

This legislation allows for the use of the Mortgage Credit Certificate Program authorized in the Tax Reform Act of 1984. This will provide housing assistance to families of low and moderate income.

This program is for first-time homebuyers only, and they must fall within a specified household income level. The legislation allows the lender to reduce the housing expense ratio by the amount of tax savings. The credit may be either 15% or 20% of the annual interest paid on the homebuyer's mortgage, depending on the income level of the individual. After the 15% or 20% credit, the remainder of the mortgage interest is taken as a deduction from gross income on the homebuyer's income tax return in the usual manner, which shall be paid directly to the financial institution as part of the down payment and/or closing costs, for the purpose of reducing for the first-time homeowner's financial requirement to secure a mortgage loan.

Very truly yours,

[Signature]
Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

Attachment: copy attached for signed bill or overridden bill
original attached for vetoed bill

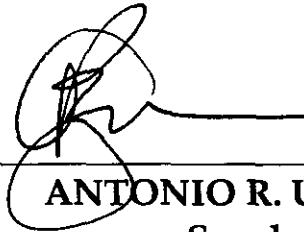
01-838

cc: The Honorable A.R. Unpingco
Speaker

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Bill No. 378 (COR) "AN ACT TO ADD ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THIS ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000", was on the 9th day of March 2000, duly and regularly passed.




ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by I Maga'lahaen Guahan this 13th day of March, 2000,
at 4:45 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: 3-24-00

Public Law No. 25-111

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 378 (COR)

As amended by the Committee on
Housing, General Government Services
and Foreign Affairs.

Introduced by:

K. S. Moylan
J. C. Salas
A. C. Lamorena, V
A. R. Unpingco
V. C. Pangelinan
M. G. Camacho
F. B. Aguon, Jr.
E. C. Bermudes
A. C. Blaz
J. M.S. Brown
E. B. Calvo
Mark Forbes
L. F. Kasperbauer
C. A. Leon Guerrero
S. A. Sanchez, II

**AN ACT TO ADD ARTICLE 8 TO CHAPTER 4 OF
TITLE 12 OF THE GUAM CODE ANNOTATED,
RELATIVE TO ESTABLISHING A MORTGAGE
CREDIT CERTIFICATE PROGRAM FOR
QUALIFIED APPLICANTS AND FIRST TIME
HOMEBUYERS, AND TO CITE THIS ACT AS "THE
MORTGAGE CREDIT CERTIFICATE PROGRAM
ACT OF 2000."**

1 Reform Act, authorized a '*Mortgage Credit Certificate Program.*' More
2 importantly, *I Liheslaturan Guâhan* finds that the purpose of the
3 Mortgage Credit Certificate Program is to provide housing assistance to
4 families of low and moderate income.

5 *I Liheslaturan Guâhan* finds that the intent of the Mortgage Credit
6 Certificate Program is to reduce the amount of Federal income tax paid
7 by the homeowner, thereby giving him more available income to qualify
8 for a mortgage loan and assistance with house payments.

9 **Section 4803. Definitions.** For purposes of this
10 Article, the following words and phrases are defined to mean:

11 (a) '*Eligibility*' means those persons meeting the following
12 requirements:

13 (i) the buyer's household income must fall within a
14 specified limit set aside by the Internal Revenue Service;

15 (ii) the mortgage loan must be a new loan, *not* a
16 refinancing; *and*

17 (iii) the home must become the buyer's principal residence
18 within sixty (60) days of closing.

19 (b) '*First time homebuyer*' means any individual or family who
20 has *not* had any ownership interest in a residential dwelling within the
21 five (5) years preceding the date of application. A family or individual
22 who has had an ownership interest in residential real property within
23 the five (5) year period preceding the date of application, but such
24 interest was terminated by a decree of divorce or operation of law, does
25 qualify as a first-time homeowner.

1 provide housing assistance to eligible first time homebuyers
2 authorized by Congress in the 1984 Tax Reform Act.

3 (1) **Credit Against Taxes.** The Mortgage Credit
4 Certificate gives the homebuyer a Federal tax credit each
5 year the buyer keeps the same mortgage loan and lives in
6 the same house. The qualified homebuyer who is awarded a
7 Mortgage Credit Certificate may take an annual credit
8 against their Federal income taxes. The credit is subtracted
9 dollar for dollar from Federal income taxes due.

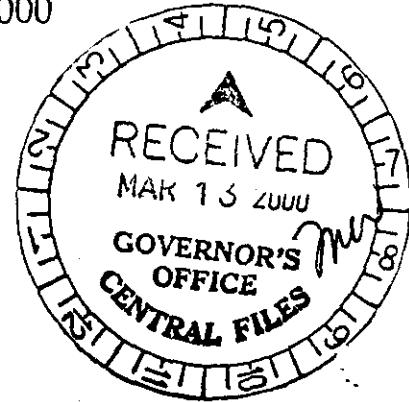
10 (2) **Median Income.** For households that are
11 eighty percent (80%) of the area's median income and below,
12 the credit equal to twenty percent (20%) of the annual
13 interest paid on the homebuyer's mortgage. For households
14 that are above eighty percent (80%) of the area's median
15 income and *not* exceeding the Mortgage Credit Certificate
16 income limits, the credit is equal to fifteen percent (15%) of
17 the annual interest paid on the homebuyer's mortgage. The
18 remainder of the mortgage interest is taken as a deduction
19 from gross income on the homebuyer's income tax return in
20 the usual manner which shall be paid directly to the
21 financial institution as part of the down payment and/or
22 closing costs, for the purpose of reducing the first-time
23 homeowner's financial requirement to secure a mortgage
24 loan.

MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN
TWENTY-FIFTH GUAM LEGISLATURE
155 Hesler Street, Hagåtña, Guam 96910



March 13, 2000

The Honorable Carl T.C. Gutierrez
I Maga'lahaen Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910



Dear *Maga'lahi* Gutierrez:

Transmitted herewith are Bill Nos. 69(COR) and 378(COR) and Substitute Bill Nos. 95(COR), 216(COR) and 350(LS) which were passed by *I Mina' Bente Singko Na Liheslaturan Guåhan* on March 9, 2000.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joanne M.S. Brown".


JOANNE M.S. BROWN
Senator and Legislative Secretary

Enclosure (5)

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session

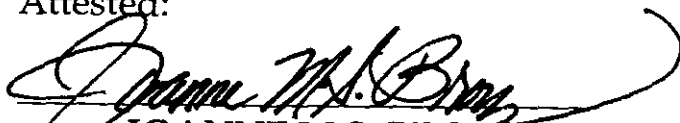
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ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by I Maga'lahaen Guahan this 13th day of March, 2000,
at 4:45 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: _____

Public Law No. _____

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 378 (COR)

As amended by the Committee on
Housing, General Government Services
and Foreign Affairs.

Introduced by:

K. S. Moylan

J. C. Salas

A. C. Lamorena, V

A. R. Unpingco

V. C. Pangelinan

M. G. Camacho

F. B. Aguon, Jr.

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QUALIFIED APPLICANTS AND FIRST TIME
HOMEBUYERS, AND TO CITE THIS ACT AS "*THE
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15 income and *not* exceeding the Mortgage Credit Certificate
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18 remainder of the mortgage interest is taken as a deduction
19 from gross income on the homebuyer's income tax return in
20 the usual manner which shall be paid directly to the
21 financial institution as part of the down payment and/or
22 closing costs, for the purpose of reducing the first-time
23 homeowner's financial requirement to secure a mortgage
24 loan.

1 **(3) Relief.** The relief shall be available to each
2 family or individual in addition to any other grants or loans
3 that the family or individual may receive from the
4 Corporation or other agencies, in accordance with the
5 provisions set forth in this Article.

6 **Section 4805. Rules, Regulations and Restrictions.**

7 The Corporation shall within forty-five (45) days upon enactment
8 promulgate the necessary rules and regulations with regard to
9 implementing the Mortgage Credit Certificate Program and the
10 Corporation's participation with any financial institution, currently
11 licensed and doing business on Guam. The rules shall include the
12 Corporation's requirements, including, but not limited to, qualifying
13 applicants for the mortgage credit certificate program.

14 **Section 4806. Severability.** *If any provision of this Law or*
15 *its application to any person or circumstance is found to be invalid or*
16 *contrary to law, such invalidity shall not affect other provisions or*
17 *applications of this Law which can be given effect without the invalid*
18 *provisions or application, and to this end the provisions of this Law are*
19 *severable."*

CLERK OF THE LEGISLATURE
TRANSMISSION CHECKLIST TO I MAGA'LAHEN GUAHAN

(Included in File w/ All Bills Transmitted)

BILL NO. *378 (ea)*

FINAL PROOF-READING OF BLUEBACK COPY

Initialed by: _____ and Date: _____

- EXHIBITS ATTACHED *None*
- CONFIRM NUMBER OF PAGES *6*
- CAPTION ON CERTIFICATION MATCHES BILL CAPTION
- ENGROSSED SIGN "*" REMOVED FROM BILL
- 15 SENATORS IN SPONSORSHIP OR CONFIRM OTHERWISE
- CERTIFICATION SIGNED BY SPEAKER & LEGIS. SECRETARY
- EMERGENCY DECLARATION, if any

Confirmed By: _____ Dated: _____

- HAND CARRY BILL IN BLUEBACK (ORIGINAL & COPY)
TO THE GOVERNOR. (DANNY, ROBERT OR OTHERS)
- ACKNOWLEDGED COPY W/ ORIGINAL BLUEBACK
PLACED ON CLERK'S DESK. (Same copy given to Susan)

- FILED by: Danny, Robert or others

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Bill No. 378 (COR) "AN ACT TO ADD ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THIS ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000", was on the 9th day of March 2000, duly and regularly passed.

ANTONIO R. UNPINGCO
Speaker

Attested:

JOANNE M.S. BROWN
Senator and Legislative Secretary

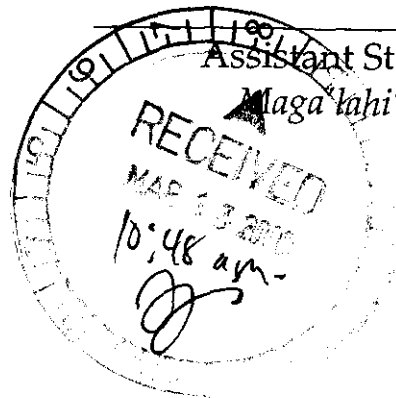
This Act was received by *I Maga'lahaen Guahan* this _____ day of _____, 2000,
at _____ o'clock _____.M.

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: _____

Public Law No. _____



Office of the Speaker
ANTONIO R. UNPINGCO

Date. 03-13-00

Time. 1035

Rec'd by: _____
Print Name: Antonio R. Unpingco

6

I MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session

Date: 3/9/00

VOTING SHEET

Bill No. 378 (COR)

Resolution No. _____

Question: _____

<u>NAME</u>	<u>YEAS</u>	<u>NAYS</u>	<u>NOT VOTING/ ABSTAINED</u>	<u>OUT DURING ROLL CALL</u>	<u>ABSENT</u>
AGUON, Frank B., Jr.	✓				
BERMUDES, Eulogio C.	✓				
BLAZ, Anthony C.					✓
BROWN, Joanne M.S.	✓				
CALVO, Eduardo B.	✓				
CAMACHO, Marcel G.	✓				
FORBES, Mark	✓				
KASPERBAUER, Lawrence F.	✓				
LAMORENA, Alberto C., V	✓				
LEON GUERRERO, Carlotta A.	✓				
MOYLAN, Kaleo Scott	✓				
PANGELINAN, Vicente C.	✓				
SALAS, John C.	✓				
SANCHEZ, Simon A., II	✓				
UNPINGCO, Antonio R.	✓				

TOTAL

14 _____ _____ _____ 1

CERTIFIED TRUE AND CORRECT:

 Clerk of the Legislature

* 3 Passes = No vote
 EA = Excused Absence



FILE

MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN
TWENTY-FIFTH GUAM LEGISLATURE
155 Hesler Street, Hagåtña, Guam 96910

COPY

February 8, 2000
(DATE)

Memorandum

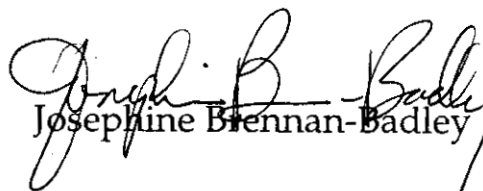
To: Senator KALEO S. MOYLAN

From: Clerk of the Legislature

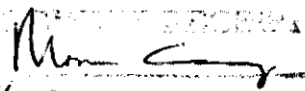
Subject: Report on Bill No. 378 (COR)

Pursuant to §7.04 of Rule VII of the 25th Standing Rules, transmitted herewith is a copy of the Committee Report on Bill No. 378(COR), for which you are the prime sponsor.

Should you have any questions or need further information, please call the undersigned at 472-3464/5.


Josephine Brennan-Badley

Attachment


10:34 AM
02-08-00

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina'Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

February 7, 2000

Honorable Antonio R. Unpingco
Speaker
Mina'Bente Singko Na Liheslaturan Guåhan
Hagåtña, Guam 96910

VIA: Chairperson, Committee on Rules, Government Reform, Reorganization and
Federal Affairs

Dear Mr. Speaker:

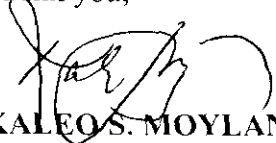
The Committee on Housing, General Government Services and Foreign Affairs, to which was referred **Bill No. 378 (COR)**, "**AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000,"**" has had the same under consideration, and now wishes to report back the same with the recommendation to do pass as amended by the Committee.

The Committee votes are as follows:

<u>8</u>	To Do Pass
<u>0</u>	Not to Pass
<u>0</u>	Abstain
<u>0</u>	Inactive File

A copy of the Committee Report and other pertinent documents are attached for your immediate reference and information.

Thank you,

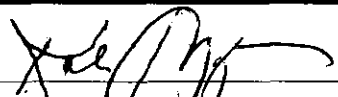
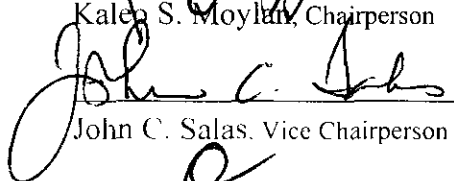
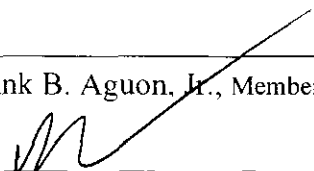
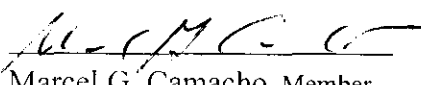

KALEO S. MOYLAN
Chairperson

Enclosure:

**Committee Housing, General
Government Services and Foreign Affairs
Vote Sheet on
Bill No. 378 (COR)
As amended by the Committee**

**AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE
GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A
MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED
APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT
AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000."**

COMMITTEE MEMBER	TO PASS	NOT TO PASS	ABSTAIN	INACTIVE FILE
------------------	---------	-------------	---------	---------------

 Kaleo S. Moylan, Chairperson	✓			
 John C. Salas, Vice Chairperson	✓			
 Antonio R. Unpingco, Speaker & Ex-Officio	✓			
 Frank B. Aguon, Jr., Member				
 Anthony C. Blaz, Member	/			
 Marcel G. Camacho, Member	✓			
 Alberto C. Lamorena, V, Member	→			
 Carlotta A. Leon Guerrero, Member				
 Vicente C. Pangelinan, Member	✓			
 Simon A. Sanchez, II, Member	✓			

*Vote Sheet on Bill No. 378 (COR)
"THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000."*

**Committee on Housing, General
Government Services and Foreign Affairs
Report On
Bill No. 378 (COR)**

As amended by the Committee.

AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000."

Introduced by Senators K. S. Moylan, J. C. Salas, A. C. Lamorena, V., A. R. Unpingco, V. C. Pangelinan, and M. G. Camacho

PUBLIC HEARING: The Committee on Housing, General Government Services, to which was referred Bill No. 378 (COR), "AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000." conducted a public hearing on Thursday, January 27, 2000, at the Legislative Public Hearing Room.

MEMBERS PRESENT: Senator Kaleo S. Moylan, Chairperson of the Committee on Housing, General Government Services and Foreign Affairs convened the hearing promptly at 10:30 a.m. Committee members in attendance were Senators Vicente C. Pangelinan, Alberto C. Lamorena, V and Frank B. Aguon, Jr.

TESTIMONY: Appearing before the Committee were Mr. James G. Sablan, President, Guam Housing Corporation, Mr. Joe Morcilla, President of Plan Rite. Mr. Sablan testified that by establishing the Mortgage Credit Certificate Program, Guam Housing is being empowered to qualify applicants to take advantage of a tax credit base on the amount of interest being paid on a mortgage by a first time homebuyer.

Mr. Sablan went on to say that Guam Housing is prepared to expediently promulgate the necessary rules and regulations which would set forth more of the details of the Program, and especially in regards to the qualification and issuance of the certificates. Recognizing that implementation of Mortgage Credit Certificate Program would enhance Guam Housing Corporation's mission of providing affordable housing to the people of Guam, Mr. Sablan urged favorable consideration on Bill No. 378.

Mr. Morcilla pointed out to the Committee that the Mortgage Credit Certificate Program is a program aimed at reducing the amount of taxes an individual homeowner pays, thereby giving him more available income to qualify for a mortgage loan. He went on to say that the basic intent of the Program is aimed at providing housing assistance to families of low and moderate income. With that in mind, Mr. Morcilla urged the Chairman and members of the Committee to act favorably on Bill No. 378.

There being no further witnesses, the Chairman adjourned the Committee hearing on Bill No. 378 (COR).

FINDINGS: During discussions with the witnesses, the Committee finds that:

- ◆ The Mortgage Credit Certificate Program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to families of low and moderate income. The Housing Finance and Development Corporation (HFDC) is an issuer of Mortgage Credit Certificates.
- ◆ The Mortgage Credit Certificate (MCC) reduces the amount of federal income tax you pay, thus giving you more available income to qualify for a mortgage loan and assist you with house payments. Mortgage Credit is available to homebuyers who meet household income limits established for the MCC Program, as well as other federal eligibility regulations.
- ◆ The federal government allows each homeowner to claim an itemized federal income tax deduction for the amount of interest paid each year on a mortgage loan.
- ◆ For a homeowner with a MCC, this benefit is even better: 20% of your annual mortgage interest will be a direct federal tax credit, resulting in a dollar-for-dollar reduction of your annual federal income tax liability. The remaining 80% of your annual mortgage interest will continue to qualify as an itemized deduction.
- ◆ The amount of your mortgage credit depends on the amount of interest you pay on your mortgage loan. However, the amount of your mortgage credit cannot exceed the amount of your annual federal income tax liability. Unused mortgage credit can be carried forward for three years to offset future income tax liability.

An example of how a MCC can make buying a home affordable for you:

- You obtain a mortgage loan of \$100,000 at 9.0% for 30 years with monthly payments of \$805 and a MCC credit rate of 20%.
- In the first year, you pay a total of \$8,972 of interest on your mortgage loan. Because you have a MCC, you could receive a federal income tax credit of \$1,794 (20% or \$8,972). If your income tax liability is \$1,794 or greater, you will receive the full benefit of the MCC tax credit. If the amount of your tax credit exceeds the amount of your tax liability, the unused portion can be carried forward (up to three years) to offset future income tax liability.
- The remaining 80% of mortgage interest, or \$7,178, qualifies as an itemized income tax deduction.
- To receive the immediate benefit of your MCC tax credit, you would file a revised W-4 withholding form with your employer to reduce the amount of federal income tax

withheld from your wages and increase your take home pay by \$150 per month (\$1,794 divided by 12).

- By applying the increase in your take home pay of \$150 towards your monthly mortgage payment of \$805, your effective monthly payment would be \$655, (\$805 minus \$150). Based on the effective monthly payment of \$655, your first year's interest cost would be effectively reduced from 9.0% to 6.85%.
- ◆ **How long does the Mortgage Credit Certificate last?** The MCC will remain in effect for the life of your mortgage loan, so long as the home remains your principal residence. The amount of your annual mortgage credit will be calculated on the basis of 20% of the total interest paid on your mortgage loan for that year.
- ◆ **What are the requirements?** They include the following:
 - The home you buy must be used as your principal residence after you obtain your mortgage. If it stops being your principal residence, your MCC will be automatically revoked and you will no longer be entitled to claim the mortgage credit.
 - You cannot have had an ownership interest in a principal residence at any time in the last three years.
 - The mortgage loan must be a new loan. You cannot be issued a MCC for the acquisition, replacement or refinancing of an existing mortgage loan. However, you may (on a case-by-case basis) be issued a MCC for the replacement of construction period loans, bridge loans, or similar financing of a temporary nature with a term of twenty-four months or less.
 - The federal government considers the MCC tax credit to be a subsidy. As such, you may be subject to federal "recapture tax" if (1) you sell your home within nine years of purchase, (2) you sell your home at a gain, and (3) your income increases above a specified level.

RECOMMENDATION: The Committee, having reviewed the testimonies presented at the public hearing, does hereby recommend that **Bill No. 378 (COR)**, **"AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000,"** as amended by the Committee, **be passed by I Liheslaturan Guåhan.**

Profile on Bill No. 378 (COR)

Brief Title: ***"The Mortgage Credit Certificate Program Act of 2000."***

Date Introduced: Monday, January 10, 2000.

Main Sponsors: Senators K. S. Moylan, J. C. Salas and A. C. Lamorena, V.

Committee Referral: From the Committee on Rules, Government Reform, Reorganization and Federal Affairs to the Committee on Housing, General Government Services and Federal Affairs on January 18, 2000.

Public Hearing: Thursday, January 27, 2000 at the Legislative Public Hearing Room.

Official Title: "AN ACT TO *ADD* NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS *"THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000."*

Co-sponsors: Senators A. R. Unpingco, V. C. Pangelinan, M. G. Camacho

Recommendation: To do pass as amended by the Committee.

A Closer Look

Mortgage Credit Certificates as a Buyer's Tool. The Mortgage Credit Certificate (MCC) Program is designed to provide financial assistance to first time homebuyers interested in purchasing property in the cities offering this program.

Twenty Percent (20%) Mortgage Interest Credits. **What is an MCC?** An MCC is a certificate awarded by the County authorizing the holder to take certain federal income tax credits. A qualified applicant who is awarded and MCC may take an annual credit against federal income taxes of up to twenty percent (20%) of the annual interest paid on the applicant's mortgage. The value of the MCC is taken into consideration by the mortgage lender in underwriting the loan and may be used to adjust the borrower's federal income tax withholding. This adjustment will result in an effective reduction in monthly housing costs, and therefore, increase the applicant's ability to afford a mortgage payment.

How does the MCC "reduce" the mortgage interest rate? An MCC reduces the amount of federal income taxes owed, thus increasing the qualified homebuyers spendable income to help qualify for a loan and to make the monthly mortgage payments.

For example, a homebuyer with a 10.75% fixed interest rate 30-year mortgage of \$130,000 would make approximately \$13,975 in interest payments during the first year of the mortgage. With

a 20% credit, up to \$2,795 of the payments would be allowed to be taken as a tax credit toward the applicant's federal income tax liability. This would effectively reduce the monthly mortgage payment, giving the applicant greater ability to qualify and support a mortgage.

What is the difference between a "tax credit" and a "tax deduction"? A "tax credit" entitles a taxpayer to subtract the amount of the credit from his/her total federal income taxes owed, allowing the taxpayer to receive a dollar for dollar savings. This is different from a "tax deduction" which is subtracted from the adjusted gross income before federal income taxes are computed. With a deduction, only a percentage of the amount deducted is realized in savings. An MCC produces a tax credit, not a tax deduction.

By increasing the purchasing power, the MCC has the economic effect of reducing the interest rate on the mortgage. As shown in the illustration below, the MCC effectively reduces the interest rate. It is important to realize, however, that the total effect is achieved only when the MCC holder has sufficient income tax liability to receive the entire benefit of the MCC tax credit.

What happens to the tax deduction for mortgage interest when a homebuyer uses an MCC? When using the MCC tax credit rate, the borrower is still eligible to deduct the remaining eighty percent (80%) of the annual mortgage interest payment not claimed as a credit. For example, assume the homebuyer pays \$10,000 for the first year in mortgage interest. With a 20% MCC, the homebuyer could take a credit of \$2,000 (20% of \$10,000) and a mortgage interest deduction of \$8,000 (80% of \$ 10,000).

How does the MCC credit work? The MCC reduces the amount of federal income taxes otherwise due to the federal government from the borrower. However, if the credit is greater than the borrower's tax liability, the IRS will not make a cash payment. Therefore, the benefit to the borrower in a given year cannot exceed the amount of federal taxes owed for the year, after other credits and deductions have been taken into account.

What happens if you can't use the entire MCC credit in any one year? If the amount of the MCC credit exceeds the borrower's tax liability, the unused portion of the credit can be carried forward for the next three tax years or until used, whichever comes first. The borrower must keep track of the unused credit by year. The current year credit is applied first and the oldest credit is used next.

How does the homebuyer realize the increase in "home buying power"? The borrower may consider adjusting his or her federal income tax withholding to receive the benefit from the credit on a monthly bases. In this case the homebuyer will refile a W-4 form with his or her employer reflecting the MCC credit. By taking this action, the number of exemptions will increase, reducing the amount of taxes withheld, thereby increasing the borrower's disposable income.

The borrower also has the option of waiting until the end of the year to realize the tax credit saving in one lump sum when filing the federal income tax returns. Regardless of whether the homebuyer adjusts the W-4 form or not, the tax credit will have to be listed when filing the federal income tax returns.

How does a homebuyer apply for an MCC? Potential applicants must be referred by a participating city. Upon referral, the applicant applies for the mortgage credit certificate at the

same time he/she makes a formal application for a mortgage loan. Lenders vary in their requirements for mortgage loan applications, but generally the applicant should be ready to supply credit information, employment data and other information to the lender.

What kind of properties are eligible? After determining preliminary eligibility, lenders may charge a non-refundable fee of \$250.00 to process the application. There is no allocation of MCC's by the lender. This fee will reserve the MCC while the mortgage loan application is being processed by the lender and the administrator.

An MCC can be used for single family homes, including single family detached homes, condominiums or townhouses in Yorba Linda. The residence must become the principal residence of the applicant within 60 days after the MCC has been issued.

What loans can be used with the MCC? MCC's can be used with conventional, fixed-rate loans, FHA and VA loans and privately insured loans. Variable rate loans are not permitted under the program. MCC's are not available with bond-backed loans such as California Housing Finance Authority (CHFA) that carry a below-market fixed interest rate or with refinanced loans.

Neither the County nor the participating cities underwrite the loans. Lenders will process the underlying mortgages using standard procedures, taking into account the value of the MCC in qualifying applicants.

What are the MCC eligibility requirements? An MCC can only be used for the purchaser's permanent, principal residence.

3 Year Requirement: The MCC applicant cannot have had an ownership interest in a principal residence at any time in the past three years.

Income Requirement: In order to qualify for an MCC, the applicant's household annual income must be below the following limits: (may be revised periodically)

1-2 Persons	\$63,200
3 or more Persons	\$72,680

Purchase Price Requirement: The purchase price of the house must be below the following amounts: (may be revised periodically)

New units	\$229,883
Resale units	\$204,937

An MCC will only be issued for a new 30-year, fixed rate mortgage from a participating lender. It cannot be used for the assumption or refinancing of an existing mortgage. In order to become eligible to receive an MCC, a potential homebuyer must receive a referral letter from one of the participating cities or the County.

Where can I get a Mortgage Credit Certificate? Applicants are free to seek financing from any lender. However, MCCs are available only through the participating lenders of a state or territory. Application for a MCC usually occurs at the same time loan application is made.


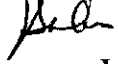


To obtain a MCC, request your lender to advise you of your eligibility based on the criteria provided above. Determine if your lender is a participating lender of the MCC Program and submit an application. If your lender is not a participating lender, seek assistance from the Guam Housing Corporation, Building 6-5000, E. Sunset Boulevard, Tiyan, Guam 96921. Call 475-4927/8 for more information.

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 378 (COR)

As amended by the Committee on
Housing, General Government Services
and Foreign Affairs.

Introduced by:

K. S. Moylan 
J. C. Salas 
A. C. Lamorena, 
A. R. Unpingco 
V. C. Pangelinan
M. G. Camacho

**AN ACT TO *ADD* NEW ARTICLE 8 TO CHAPTER 4
OF TITLE 12 OF THE GUAM CODE ANNOTATED,
RELATIVE TO ESTABLISHING A MORTGAGE
CREDIT CERTIFICATE PROGRAM FOR
QUALIFIED APPLICANTS AND FIRST TIME
HOMEBUYERS, AND TO CITE THE ACT AS "*THE
MORTGAGE CREDIT CERTIFICATE PROGRAM ACT
OF 2000.*"**

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

2 **Section 1. Title.** This Act shall be cited and referred to as "*The*
3 *Mortgage Credit Program Act of 2000.*"

4 **Section 2.** A new Article 8 is hereby *added* to Chapter 4 of Title 12 of the
5 Guam Code Annotated to read as follows:

6 **"ARTICLE 8.**

7 **MORTGAGE CREDIT CERTIFICATE PROGRAM.**

8 **Section 4801. Title.**

9 **Section 4802. Legislative Findings and Policy.**

1	Section 4803.	Definitions.
2	Section 4804.	Mortgage Credit Program; Established.
3	Section 4805.	Rules and Regulations.
4	Section 4806.	Severability.

5

6 **Section 4801. Title.** This Act shall be cited and referred to as
7 *"The Mortgage Credit Certificate Program Act of 2000."*

8 **Section 4802. Legislative Findings and Policy.** In its
9 continuing efforts to create incentives for first-time homeowners, it is the intent
10 of *I Liheslaturan Guåhan* to create incentives for first-time homeowners to
11 purchase their dream homes aimed at enhancing the general welfare of our
12 residents, while at the same time, give a much-needed boost to the construction
13 industry.

14 In its diligence to assist first time homeowners, *I Liheslaturan Guåhan*
15 finds that Congress through the enactment of the 1984 Tax Reform Act
16 authorized a *"Mortgage Credit Certificate Program."* More importantly, *I*
17 *Liheslaturan Guåhan* finds that the purpose of the Mortgage Credit Certificate
18 Program is to provide housing assistance to families of low and moderate
19 income.

20 *I Liheslaturan Guåhan* finds that the intent of the Mortgage Credit
21 Certificate Program is to reduce the amount of federal income tax paid by the
22 homeowner, thereby giving him more available income to qualify for a
23 mortgage loan and assistance with house payments

24 **Section 4803. Definitions.** For purposes of this Article, the
25 following words and phrases are defined to mean:

1 (a) *"eligibility"* means those persons meeting the following
2 requirements:

3 (i) the buyers household income must fall within a specified
4 limit set aside by IRS;

5 (ii) the mortgage loan must be a new loan, not a refinancing;
6 and

7 (iii) the home must become the buyer's principal residence
8 within sixty (60) day of closing.

9 (b) *"first time homebuyer"* means any individual or family who has
10 *not* had any ownership interest in a residential dwelling within the five (5)
11 years preceding the date of application. A family or individual who has had an
12 ownership interest in residential real property within the five (5) year period
13 preceding the date of application, but such interest was terminated by a decree
14 of divorce or operation of law, does qualify as a first-time homeowner.

15 (c) *"mortgage credit certificate"* means the method of providing
16 housing assistance to eligible home buyers authorized by Congress in the 1984
17 Tax Reform Act.

18 (d) *"recapture"* or *"recapture tax"* means a supplemental federal
19 income tax to which mortgage credit certificate recipients may be subject if
20 they sell the house they purchased with mortgage credit certificate assistance
21 within nine (9) years of the date of purchase.

22 (e) *"tax credit"* means an entitlement authorizing the taxpayer to
23 subtract the amount of credit from his federal income tax.

24 (f) *"tax deduction"* means that amount subtracted from the adjusted
25 gross income tax before calculating the federal income tax.

26 **Section 4804. Mortgage Credit Program; Established.**

1 **(a) Establishment.** There is hereby established within the Guam
2 Housing Corporation (the "Corporation") a Mortgage Credit Certificate
3 Program (the "*Credit Program*"). The expectation of the Credit Program is to
4 provide assistance to qualified and eligible first-time homeowners in obtaining
5 an income tax credit. The Credit Program reduces the amount of taxes the
6 holder of the certificate would pay. The objective of the Credit Program is to
7 assist first time homebuyer qualify for a loan by allowing the lender to reduce
8 the housing expense ratio by the amount of tax savings.

9 **(b) The Mortgage Credit Certificate.** The Corporation shall issue
10 to first time homebuyers a Mortgage Credit Certificate (the "Credit
11 Certificate"). The purpose of the Credit Certificate is to provide housing
12 assistance to eligible first time homebuyers authorized by Congress in the 1984
13 Tax Reform Act.

14 **(1) Credit Against Taxes.** The Mortgage Credit Certificate
15 gives the homebuyer a federal tax credit each year the buyer keeps the
16 same mortgage loan and lives in the same house. The qualified
17 homebuyer who is awarded a Mortgage Credit Certificate may take an
18 annual credit against their federal income taxes. The credit is subtracted
19 dollar for dollar from federal income taxes due.

20 **(2) Median Income.** For households that are 80% of the
21 area's median income and below, the credit equal to 20% of the annual
22 interest paid on the homebuyers mortgage. For households that are
23 above 80% of the area's median income and not exceeding the Mortgage
24 Credit Certificate income limits, the credit is equal to 15% of the annual
25 interest paid on the homebuyer's mortgage. The remainder of the
26 mortgage interest is taken as a deduction from gross income on the

1 homebuyer's income tax return in the usual manner which shall be paid
2 directly to the financial institution as part of the down payment and/or
3 closing costs, for the purpose of reducing the First-time Homeowner's
4 financial requirement to secure a mortgage loan.

5 (3) **Relief.** The relief shall be available to each family or
6 individual in addition to any other grants or loans that the family or
7 individual may receive from the Corporation or other agencies, in
8 accordance with the provisions set forth in this Article.

9 **Section 4805. Rules, Regulations and Restrictions.** The
10 Corporation shall within forty-five (45) days upon enactment promulgate the
11 necessary rules and regulations with regard to implementing the Mortgage
12 Credit Certificate Program and the Corporation's participation with any
13 financial institution, currently licensed and doing business in the territory. The
14 rules shall include the Corporation's requirements, including but not limited to
15 qualifying applicants for the mortgage credit certificate program.

16 **Section 4806. Severability.** *If any provision of this Law or its*
17 *application to any person or circumstance is found to be invalid or contrary to*
18 *law, such invalidity shall not affect other provisions or applications of this Law*
19 *which can be given effect without the invalid provisions or application, and to*
20 *this end the provisions of this Law are severable."*

JAN 10 2000

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session

Bill No. 378(COR)

Introduced by:

K. S. Moylan

J. C. Salas

A. C. Lamorena, V.

A. R. Unpingco

V. C. Pangelinan

M. G. Camacho

AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "*THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000.*"

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 Section 1. Title. This Act shall be cited and referred to as "*The Lease-*
3 *Mortgage Credit Program Act of 2000.*"

4 Section 2. A new Article 8 is hereby *added* to Chapter 4 of Title 12 of the
5 Guam Code Annotated to read as follows:

6 "ARTICLE 8.

7 MORTGAGE CREDIT CERTIFICATE PROGRAM.

8 Section 4801. Title.

9 Section 4802. Legislative Findings and Policy.

10 Section 4803. Definitions.

11 Section 4804. Mortgage Credit Program; Established.

1 **Section 4805. Rules and Regulations.**

2 **Section 4806. Severability.**

3

4 **Section 4801. Title.** This Act shall be cited and referred to as "*The*
5 *Mortgage Credit Certificate Program Act of 2000.*"

6 **Section 4802. Legislative Findings and Policy.** In its
7 continuing efforts to create incentives for first-time homeowners, it is the intent
8 of *I Liheslaturan Guåhan* to create incentives for first-time homeowners to
9 purchase their dream homes aimed at enhancing the general welfare of our
10 residents, while at the same time, give a much-needed boost to the construction
11 industry.

12 In its diligence to assist first time homeowners, *I Liheslaturan Guåhan*
13 finds that Congress through the enactment of the 1984 Tax Reform Act
14 authorized a "*Mortgage Credit Certificate Program.*" More importantly, *I*
15 *Liheslaturan Guåhan* finds that the purpose of the Mortgage Credit Certificate
16 Program is to provide housing assistance to families of low and moderate
17 income.

18 *I Liheslaturan Guåhan* finds that the intent of the Mortgage Credit
19 Certificate Program is to reduce the amount of federal income tax paid by the
20 homeowner, thereby giving him more available income to qualify for a
21 mortgage loan and assistance with house payments

22 **Section 4803. Definitions.** For purposes of this Article, the
23 following words and phrases are defined to mean:

24 (a) "*eligibility*" means those persons meeting the following
25 requirements:

1 (i) the buyers household income must fall within a specified
2 limit set aside by IRS;

3 (ii) the mortgage loan must be a new loan, not a refinancing;
4 and

5 (iii) the home must become the buyer's principal residence
6 within sixty (60) day of closing.

7 (b) "*first time homebuyer*" means any individual or family who has
8 *not* had any ownership interest in a residential dwelling within the five (5)
9 years preceding the date of application. A family or individual who has had an
10 ownership interest in residential real property within the five (5) year period
11 preceding the date of application, but such interest was terminated by a decree
12 of divorce or operation of law, does qualify as a first-time homeowner.

13 (c) "*mortgage credit certificate*" means the method of providing
14 housing assistance to eligible home buyers authorized by Congress in the 1984
15 Tax Reform Act.

16 (d) "*recapture*" or "*recapture tax*" means a supplemental federal
17 income tax to which mortgage credit certificate recipients may be subject if
18 they sell the house they purchased with mortgage credit certificate assistance
19 within nine (9) years of the date of purchase.

20 (e) "*tax credit*" means an entitlement authorizing the taxpayer to
21 subtract the amount of credit from his federal income tax.

22 (f) "*tax deduction*" means that amount subtracted from the adjusted
23 gross income tax before calculating the federal income tax.

24 **Section 4804. Mortgage Credit Program; Established.**

25 (a) **Establishment.** There is hereby established within the Guam
26 Housing Corporation (the "Corporation") a Mortgage Credit Certificate

1 Program (the "*Credit Program*"). The expectation of the Credit Program is to
2 provide assistance to qualified and eligible first-time homeowners in obtaining
3 an income tax credit. The Credit Program reduces the amount of taxes the
4 holder of the certificate would pay. The objective of the Credit Program is to
5 assist first time homebuyer qualify for a loan by allowing the lender to reduce
6 the housing expense ratio by the amount of tax savings.

7 **(b) The Mortgage Credit Certificate.** The Corporation shall issue
8 to first time homebuyers a Mortgage Credit Certificate (the "Credit
9 Certificate"). The purpose of the Credit Certificate is to provide housing
10 assistance to eligible first time homebuyers authorized by Congress in the 1984
11 Tax Reform Act.

12 **(1) Credit Against Taxes.** The Mortgage Credit Certificate
13 gives the homebuyer a federal tax credit each year the buyer keeps the
14 same mortgage loan and lives in the same house. The qualified
15 homebuyer who is awarded a Mortgage Credit Certificate may take an
16 annual credit against their federal income taxes. The credit is subtracted
17 dollar for dollar from federal income taxes due.

18 **(2) Median Income.** For households that are 80% of the
19 area's median income and below, the credit equal to 20% of the annual
20 interest paid on the homebuyers mortgage. For households that are
21 above 80% of the area's median income and not exceeding the Mortgage
22 Credit Certificate income limits, the credit is equal to 15% of the annual
23 interest paid on the homebuyer's mortgage. The remainder of the
24 mortgage interest is taken as a deduction from gross income on the
25 homebuyer's income tax return in the usual manner which shall be paid
26 directly to the financial institution as part of the down payment and/or

1 closing costs, for the purpose of reducing the First-time Homeowner's
2 financial requirement to secure a mortgage loan.

3 (3) **Relief.** The relief shall be available to each family or
4 individual in addition to any other grants or loans that the family or
5 individual may receive from the Corporation or other agencies, in
6 accordance with the provisions set forth in this Article.

7 **Section 4805. Rules, Regulations and Restrictions.** The
8 Corporation shall promulgate the necessary rules and regulations with regard to
9 implementing the Mortgage Credit Certificate Program and the Corporation's
10 participation with any financial institution, currently licensed and doing
11 business in the territory. The rules shall include the Corporation's
12 requirements, including but not limited to qualifying applicants for the
13 mortgage credit certificate program.

14 **Section 4806. Severability.** *If any provision of this Law or its*
15 *application to any person or circumstance is found to be invalid or contrary to*
16 *law, such invalidity shall not affect other provisions or applications of this Law*
17 *which can be given effect without the invalid provisions or application, and to*
18 *this end the provisions of this Law are severable."*



MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
Kumitean Areklamento, Refotman Gubetnamento Siha, Inetnon di Nuebu, yan Asunton Fidirat

*Senator Mark Forbes, Chairman
Kabisiyon Mayurat*

18 JAN 2000

MEMORANDUM

TO: Chairman
Committee on Housing, General Government Services and Foreign Affairs

FROM: Chairman
Committee on Rules, Government Reform, Reorganization
and Federal Affairs

SUBJECT: Principal Referral – Bill No. 378

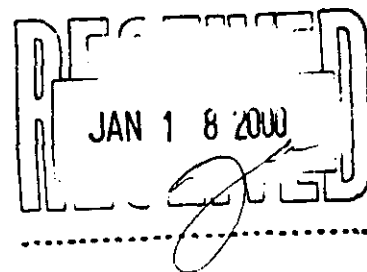
The above bill is referred to your Committee as the Principal Committee. In accordance with Section 6.04.05. of the Standing Rules, your Committee "shall be the Committee to perform the public hearing and have the authority to amend or substitute the bill, as well as report the bill out to the Body." It is recommended that you schedule a public hearing at your earliest convenience.

Thank you for your attention to this matter.

MARK FORBES

Attachment

GUAM LEGISLATURE OFFICE OF SENATOR KALEO S. MOYLAN ACKNOWLEDGEMENT RECEIPT Date: <u>1-18-00</u> Time: <u>4:30pm</u> Received by: <u>MICHON</u>
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Senator Kaleo S. Moylan
*Committee on Housing, General Government
Services and Foreign Affairs*
Mina' Bente Sing'ko Na Liheslaturan Guahan
777 Route 4, Suite 16B
Sinajana Shopping Mall, Phase II
Sinajana, Guam 96926

Re: Bill 378

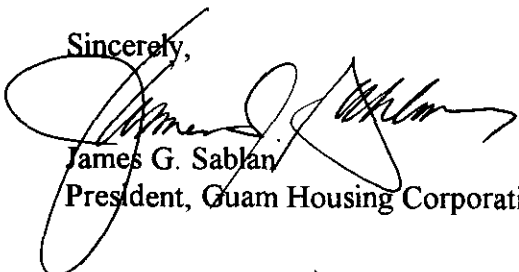
Dear Senator Moylan:

Thank you for the opportunity to present a testimony on Bill 378, "An Act To *Add* New Article 8 To Chapter 4 Of Title 12 Of The Guam Code Annotated, relative To Establishing A Mortgage Credit Certificate Program For Qualified Applicants And First Time Homebuyers, And To Cite The Act As "*The Mortgage Credit Certificate Program Act of 2000.*" On behalf of Guam Housing Corporation, we believe the implementation of this program will indeed enhance the Corporation's mission, of providing affordable housing to our residents. CV

By Establishing the Mortgage Credit Certificate Program, I Liheslaturan Guahan is empowering Guam Housing Corporation to qualify applicants to take advantage of a tax credit based on the amount of interest being paid on a mortgage by a first time homebuyer. This credit is intended to directly benefit low and moderate income families by decreasing the amount of income taxes, thereby increasing their chances of qualifying for a mortgage based on a greater amount of expendable income. Guam Housing Corporation is prepared to expediently promulgate the necessary rules and regulations which would set forth more of the details of this program, and especially in regards to the qualification and issuance of the certificates. However, in light of the bill's applicability to income taxes and the language in the bill referring to "federal income taxes", we would recommend that the assistance of the Department of Revenue and Taxation be solicited in order to ensure the implementation and success of this program as it relates to that Department.

We urge your favorable consideration of these comments and this measure.

Sincerely,


James G. Sablan
President, Guam Housing Corporation

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina'Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

January 19, 2000

The Honorable Carl T.C. Gutierrez
Maga'lahaen Guåhan
R. J. Bordallo Governor's Complex
Agana, Guam 96932


Re: Committee Public Hearing

Dear Governor Gutierrez:

This is to inform you that the Committee on Housing, General Government Services and Foreign Affairs has scheduled a public hearing on Thursday, January 27, 2000, commencing at 8:30 a.m., in the Guam Legislature Public Hearing Room. As your appointments directly affect the operations of the government of Guam, the Committee members and I request that your nominees and interested cabinet officials be in attendance.

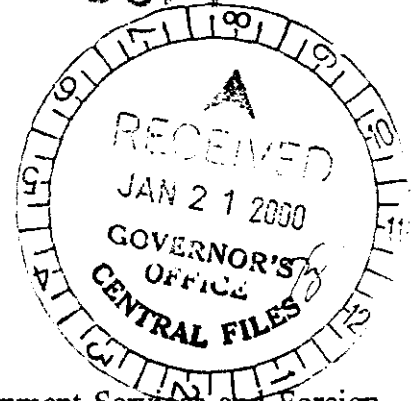
A copy of the hearing Agenda is enclosed for your review.

Thank you,


KALEO S. MOYLAN

Enclosure

OFFICE COPY



MINA'BENTE SINGKO NA LIHESLATURAN GUÁHAN

Senator Kaleo S. Moylan, Chairman

Committee on Housing, General Government Services and Foreign Affairs

Public Hearing

8:30 a.m., Thursday, January 27, 2000

A G E N D A

- I. Call to Order:
- II. Announcement & Introduction of Members:
- III. Executive Appointments:

Cockpit License Board: Ms. Mae M. Mafnas to serve as a member for a term of one (1) year to expire on December 22, 2000.

Alcoholic Beverage Control Board: Mr. Leo E. Edusada, Mr. Celso S. Gianchand *and* Mr. Rodolfo V. Colet to serve as members for a term of two (2) years to expire on January 27, 2002.

Civil Service Commission: Mr. Luis R. Baza to serve as the Executive Director of the Civil Service Commission.

- IV. Legislative Measures:

Bill No. 377 (COR) AN ACT TO *ADD* A NEW ARTICLE 7 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A LEASE-TO-OWN HOUSING PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, TO *ADD* NEW SECTIONS 5.1, 7.1 AND 17, TO *AMEND* SECTION 6 AND TO *REPEAL AND REENACT* SECTION 12 OF PUBLIC LAW NUMBER 20-225 AS AMENDED BY PUBLIC LAW NO. 24-81 AND TO CITE THE ACT AS "***THE LEASE-TO-OWN HOUSING PROGRAM ACT OF 2000.***" By K. S. Moylan, J. C. Salas, A. C. Lamorena, V., A. R. Unpingco, V. C. Pangelinan, M. G. Camacho.

Bill No. 378 (COR) AN ACT TO *ADD* NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "***THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000.***" By K. S. Moylan, J. C. Salas, A. C. Lamorena, V., A. R. Unpingco, V. C. Pangelinan, M. G. Camacho

- V. Remarks:
- VI. Adjournment:

The Hearing will take place at the Guam Legislature's Public Hearing Room. Individuals requiring special accommodations, auxiliary aids or services are asked to contact the Office of Senator Kaleo S. Moylan at 472-3342.

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina'Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

January 20, 2000

OFFICE COPY

Mr. James G. Sablan
President
6-5000 East Sunset Boulevard
Tiyán, Guam 96921

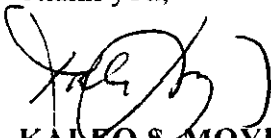
Re: Committee Public Hearing

Dear Mr. Sablan:

This is to inform you that the Committee on Housing, General Government Services and Foreign Affairs has scheduled a public hearing on Thursday, January 27, 2000, commencing at 8:30 a.m., in the Guam Legislature Public Hearing Room. The Committee will hear testimonies on Bill No. 337, "*The Lease to Own Housing Program*" and Bill No. 378, "*The Mortgage Credit Certificate Program Act of 2000.*" As these measures directly affect the operations of your agency, the Committee members and I request that you and members of the Corporation be in attendance.

A copy of the hearing Agenda is enclosed for your review.

Thank you,



KALEO S. MOYLAN

Enclosure

cc: Chairman, Board of Directors

GUAM HOUSING CORP

JAN 21 2000

REC'D:

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina'Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

January 20, 2000

OFFICE COPY

Mr. Edward Untalan
Administrator
Guam Economic Development Authority
Tamuning, Guam 96931

Re: Committee Public Hearing

Dear Mr. Untalan:

This is to inform you that the Committee on Housing, General Government Services and Foreign Affairs has scheduled a public hearing on Thursday, January 27, 2000, commencing at 8:30 a.m., in the Guam Legislature Public Hearing Room. The Committee will hear testimonies on Bill No. 337, "*The Lease to Own Housing Program*" and Bill No. 378, "*The Mortgage Credit Certificate Program Act of 2000.*" As these measures directly affect the operations of your agency, the Committee members and I request that you and members of the Authority be in attendance.

A copy of the hearing Agenda is enclosed for your review.

Thank you.



KALEO S. MOYLAN

Enclosure

cc: Chairman, Board of Directors

Recd 1-21-00
Jan 23 PM
J. M. [Signature]

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina' Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

RECEIVED
1:00 pm
JAN 21 2000
JSC
ATTORNEY GENERAL'S OFFICE

January 20, 1999

OFFICE COPY

Mr. John F. Tarantino
Attorney General
Department of Law
Agana, Guam 96910

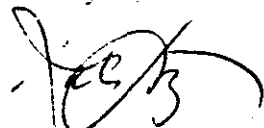
Re: Committee Public Hearing

Dear Mr. Tarantino:

This is to inform you that the Committee on Housing, General Government Services and Foreign Affairs has scheduled a public hearing on Thursday, January 27, 2000, commencing at 8:30 a.m., in the Guam Legislature Public Hearing Room. As these measures directly affect the operations of the government of Guam, the Committee members and I look forward to meeting with you. Also, the Committee looks forward to receiving fifteen (15) copies of your analysis, justification and studied opinion on the enclosed bills.

A copy of the hearing Agenda is enclosed for your review.

Thank you,



KALEO S. MOYLAN

Enclosure:

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina'Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

January 25, 2000

MEMORANDUM

To: All Members, Committee on Housing,
General Government Services and Foreign Affairs

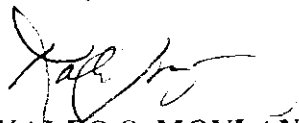
From The Chairperson,

Subject: Reminder of Committee Public Hearing

This is to remind you that the Committee on Housing, General Government Services and Foreign Affairs will be conducting a public hearing on Thursday, January 27, 2000 at 8:30 a.m., in the Public Hearing Room.

A copy of the hearing Agenda is attached for your review.

Thank you.



KALEO S. MOYLAN

Attachment:

cc: All Senators
Clerk of Legislature
Protocol
Media

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
Senator Kaleo S. Moylan, Chairman
Committee on Housing, General Government Services and Foreign Affairs

Public Hearing
8:30 a.m., Thursday, January 27, 2000

A G E N D A

- I. Call to Order:
- II. Announcement & Introduction of Members:
- III. Executive Appointments:

Cockpit License Board: Ms. Mae M. Mafnas to serve as a member for a term of one (1) year to expire on December 22, 2000.

Alcoholic Beverage Control Board: Mr. Leo E. Edusada, Mr. Celso S. Gianchand *and* Mr. Rodolfo V. Colet to serve as members for a term of two (2) years to expire on January 27, 2002.

Civil Service Commission: Mr. Luis R. Baza to serve as the Executive Director of the Civil Service Commission.

- IV. Legislative Measures:

Bill No. 377 (COR) AN ACT TO *ADD* A NEW ARTICLE 7 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A LEASE-TO-OWN HOUSING PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS. TO *ADD* NEW SECTIONS 5.1, 7.1 AND 17, TO *AMEND* SECTION 6 AND TO *REPEAL AND REENACT* SECTION 12 OF PUBLIC LAW NUMBER 20-225 AS AMENDED BY PUBLIC LAW NO. 24-81 AND TO CITE THE ACT AS "***THE LEASE-TO-OWN HOUSING PROGRAM ACT OF 2000.***" By K. S. Moylan, J. C. Salas, A. C. Lamorena, V., A. R. Unpingco, V. C. Pangelinan, M. G. Camacho.

Bill No. 378 (COR) AN ACT TO *ADD* NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "***THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000.***" By K. S. Moylan, J. C. Salas, A. C. Lamorena, V., A. R. Unpingco, V. C. Pangelinan, M. G. Camacho

- V. Remarks:
- VI. Adjournment:

The Hearing will take place at the Guam Legislature's Public Hearing Room.
Individuals requiring special accommodations, auxiliary aids or services are asked to contact the
Office of Senator Kaleo S. Moylan at 472-3342.

Mina'Bente Singko Na Liheslaturan Guåhan
25th Guam Legislature

Committee on Housing, General Government Services an Foreign Affairs

Witness Sign in Sheet

BILL NO. 378 (COR), AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000."

Name	Representing	Testimony (written/oral)
<i>John Hobler</i>	<i>Guam Housing Corp</i>	<i>Written</i>
<i>Dave Silva</i>	<i>GEDA</i>	<i>NONE</i>

JAN 10 2000

MINA'BENTE SINGKO NA LIHESLATURAN G
2000 (SECOND) Regular Session

Bill No. 378(eo)

Introduced by:

K. S. Moylan
J. C. Salas
A. C. Lamorena, V.
A. R. Unpingco
V. C. Pangelinan
M. G. Camacho

AN ACT TO ADD NEW ARTICLE 8 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE MORTGAGE CREDIT CERTIFICATE PROGRAM ACT OF 2000."

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Title. This Act shall be cited and referred to as "The Lease-Mortgage Credit Program Act of 2000."

Section 2. A new Article 8 is hereby added to Chapter 4 of Title 12 of the Guam Code Annotated to read as follows:

"ARTICLE 8.

MORTGAGE CREDIT CERTIFICATE PROGRAM.

- Section 4801. Title.
- Section 4802. Legislative Findings and Policy.
- Section 4803. Definitions.
- Section 4804. Mortgage Credit Program; Established.

1 **Section 4805. Rules and Regulations.**

2 **Section 4806. Severability.**

3
4 **Section 4801. Title.** This Act shall be cited and referred to as "***The***
5 ***Mortgage Credit Certificate Program Act of 2000.***"

6 **Section 4802. Legislative Findings and Policy.** In its
7 continuing efforts to create incentives for first-time homeowners, it is the intent
8 of *I Liheslaturan Guåhan* to create incentives for first-time homeowners to
9 purchase their dream homes aimed at enhancing the general welfare of our
10 residents, while at the same time, give a much-needed boost to the construction
11 industry.

12 In its diligence to assist first time homeowners, *I Liheslaturan Guåhan*
13 finds that Congress through the enactment of the 1984 Tax Reform Act
14 authorized a "*Mortgage Credit Certificate Program.*" More importantly, *I*
15 *Liheslaturan Guåhan* finds that the purpose of the Mortgage Credit Certificate
16 Program is to provide housing assistance to families of low and moderate
17 income.

18 *I Liheslaturan Guåhan* finds that the intent of the Mortgage Credit
19 Certificate Program is to reduce the amount of federal income tax paid by the
20 homeowner, thereby giving him more available income to qualify for a
21 mortgage loan and assistance with house payments

22 **Section 4803. Definitions.** For purposes of this Article, the
23 following words and phrases are defined to mean:

24 (a) "*eligibility*" means those persons meeting the following
25 requirements:

1 (i) the buyers household income must fall within a specified
2 limit set aside by IRS;

3 (ii) the mortgage loan must be a new loan, not a refinancing;
4 and

5 (iii) the home must become the buyer's principal residence
6 within sixty (60) day of closing.

7 (b) "*first time homebuyer*" means any individual or family who has
8 *not* had any ownership interest in a residential dwelling within the five (5)
9 years preceding the date of application. A family or individual who has had an
10 ownership interest in residential real property within the five (5) year period
11 preceding the date of application, but such interest was terminated by a decree
12 of divorce or operation of law, does qualify as a first-time homeowner.

13 (c) "*mortgage credit certificate*" means the method of providing
14 housing assistance to eligible home buyers authorized by Congress in the 1984
15 Tax Reform Act.

16 (d) "*recapture*" or "*recapture tax*" means a supplemental federal
17 income tax to which mortgage credit certificate recipients may be subject if
18 they sell the house they purchased with mortgage credit certificate assistance
19 within nine (9) years of the date of purchase.

20 (e) "*tax credit*" means an entitlement authorizing the taxpayer to
21 subtract the amount of credit from his federal income tax.

22 (f) "*tax deduction*" means that amount subtracted from the adjusted
23 gross income tax before calculating the federal income tax.

24 **Section 4804. Mortgage Credit Program; Established.**

25 (a) **Establishment.** There is hereby established within the Guam
26 Housing Corporation (the "Corporation") a Mortgage Credit Certificate

1 Program (the "*Credit Program*"). The expectation of the Credit Program is to
2 provide assistance to qualified and eligible first-time homeowners in obtaining
3 an income tax credit. The Credit Program reduces the amount of taxes the
4 holder of the certificate would pay. The objective of the Credit Program is to
5 assist first time homebuyer qualify for a loan by allowing the lender to reduce
6 the housing expense ratio by the amount of tax savings.

7 **(b) The Mortgage Credit Certificate.** The Corporation shall issue
8 to first time homebuyers a Mortgage Credit Certificate (the "Credit
9 Certificate"). The purpose of the Credit Certificate is to provide housing
10 assistance to eligible first time homebuyers authorized by Congress in the 1984
11 Tax Reform Act.

12 **(1) Credit Against Taxes.** The Mortgage Credit Certificate
13 gives the homebuyer a federal tax credit each year the buyer keeps the
14 same mortgage loan and lives in the same house. The qualified
15 homebuyer who is awarded a Mortgage Credit Certificate may take an
16 annual credit against their federal income taxes. The credit is subtracted
17 dollar for dollar from federal income taxes due.

18 **(2) Median Income.** For households that are 80% of the
19 area's median income and below, the credit equal to 20% of the annual
20 interest paid on the homebuyers mortgage. For households that are
21 above 80% of the area's median income and not exceeding the Mortgage
22 Credit Certificate income limits, the credit is equal to 15% of the annual
23 interest paid on the homebuyer's mortgage. The remainder of the
24 mortgage interest is taken as a deduction from gross income on the
25 homebuyer's income tax return in the usual manner which shall be paid
26 directly to the financial institution as part of the down payment and/or

1 closing costs, for the purpose of reducing the First-time Homeowner's
2 financial requirement to secure a mortgage loan.

3 **(3) Relief.** The relief shall be available to each family or
4 individual in addition to any other grants or loans that the family or
5 individual may receive from the Corporation or other agencies, in
6 accordance with the provisions set forth in this Article.

7 **Section 4805. Rules, Regulations and Restrictions.** The
8 Corporation shall promulgate the necessary rules and regulations with regard to
9 implementing the Mortgage Credit Certificate Program and the Corporation's
10 participation with any financial institution, currently licensed and doing
11 business in the territory. The rules shall include the Corporation's
12 requirements, including but not limited to qualifying applicants for the
13 mortgage credit certificate program.

14 **Section 4806. Severability.** *If any provision of this Law or its*
15 *application to any person or circumstance is found to be invalid or contrary to*
16 *law, such invalidity shall not affect other provisions or applications of this Law*
17 *which can be given effect without the invalid provisions or application, and to*
18 *this end the provisions of this Law are severable."*