



CARL T.C. GUTIERREZ
GOVERNOR OF 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 Aspinal Street
Hagåtña, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY

ACKNOWLEDGMENT RECEIPT

Received By: [Signature]

Time 10:33 am

Date 3-27-00

Dear Legislative Secretary Brown:

Enclosed please find Substitute Bill No. 377 (COR), "AN ACT TO ADD ARTICLE 7 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED; AND TO ADD §§5.1, 7.1 AND 17, TO AMEND §6 AND TO REPEAL AND REENACT §12, ALL OF P. L. NO. 20-225, RELATIVE TO ESTABLISHING A LEASE-TO-OWN HOUSING PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS 'THE LEASE-TO-OWN HOUSING PROGRAM ACT OF 2000', which I have signed into law today as Public Law No. 25-116.

This legislation allows qualified applicants and first-time homebuyers to lease their home for a time up to Five (5) years, in order for the homebuyer to establish better credit. This will enable more qualified and first-time homebuyers to move into their own homes and will assist in their personal financing of their home.

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

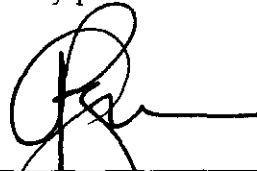
cc: The Honorable A.R. Unpingco
Speaker

00843

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 Substitute Bill No 377 (COR) "AN ACT TO ADD ARTICLE 7 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED; AND TO ADD §§5.1, 7.1 AND 17, TO AMEND §6 AND TO REPEAL AND REENACT §12, ALL TO P.L. NO. 20-225, RELATIVE TO ESTABLISHING A LEASE-TO-OWN HOUSING PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS 'THE LEASE-TO-OWN HOUSING PROGRAM ACT OF 2000'," was on the 9th day of March 2000, duly and regularly passed.



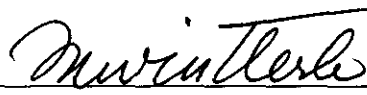
ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by I Maga'lahaen Guahan this 14th day of March, 2000,
at 4:20 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. 25-116

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

Bill No. 377 (COR)

As substituted 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 7 TO CHAPTER 4 OF
TITLE 12 OF THE GUAM CODE ANNOTATED;
AND TO ADD §§5.1, 7.1 AND 17, TO AMEND §6
AND TO REPEAL AND REENACT §12, ALL TO P.L.
NO. 20-225, RELATIVE TO ESTABLISHING A
LEASE-TO-OWN HOUSING PROGRAM FOR
QUALIFIED APPLICANTS AND FIRST TIME
HOMEBUYERS, AND TO CITE THE ACT AS "THE
LEASE-TO-OWN HOUSING 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 *Lease-to-Own Housing Program Act of 2000*".

4 **Section 2.** Article 7 is hereby *added* to Chapter 4 of Title 12 of the Guam
5 Code Annotated to read as follows:

6 **"ARTICLE 7.**

7 **LEASE-TO-OWN HOUSING PROGRAM.**

8 **Section 4701. Title.**

9 **Section 4702. Legislative Findings.**

10 **Section 4703. Legislative Policy.**

11 **Section 4704. Definitions.**

12 **Section 4705. Lease-to-Own Program; Establishment;**
13 **Authorization to Participate.**

14 **Section 4706. Authorization to Acquire Mortgage**
15 **Loans.**

16 **Section 4707. Lease-to-Own Contract.**

17 **Section 4708. Tenant-Purchaser Escrow Account.**

18 **Section 4709. Closing of Transfer of Title.**

19 **Section 4710. Rules, Regulations and Restrictions.**

20 **Section 4711. Severability.**

21
22 **Section 4701. Title.** This Article shall be known and shall
23 be cited as '*The Lease-to-Own Housing Program Act of 2000.*'

1 **Section 4702. Legislative Findings.** *I Liheslaturan Guåhan*
2 finds that in 1997, Guam Housing Corporation announced a bid for the
3 design, building and financing of infrastructure requirements for Lada
4 Estates. As a result, Maeda Pacific Corporation ('Maeda') the selected
5 bidder, was granted a contract to design, build and finance the project.
6 The Guam Housing Corporation and Maeda executed a contract in the
7 amount over Ten Million Dollars to fulfill the project's scope of work.

8 Furthermore, *I Liheslaturan Guåhan* finds that Maeda agreed to the
9 terms such that payment would be due from a developer who would
10 finance both the outstanding contract with Maeda and the development
11 of the units at Lada Estates. To date, Guam Housing Corporation has
12 entertained several bids, but is unable to secure any contract with a
13 developer. Also, *I Liheslaturan Guåhan* finds that the infrastructure
14 project was due and payable on or before November 1998.

15 *I Liheslaturan Guåhan* also finds that while there have been several
16 bid announcements, initiated by the Guam Housing Corporation, for
17 the construction of the Lada Estates project which have been advertised
18 in conformance with the procurement laws of Guam. Unfortunately, no
19 bidder has been able to meet the required terms of the contract due to
20 the provisions requiring substantial up front financial reimbursement to
21 Maeda. As a result of this hindrance, Maeda has agreed to renegotiate
22 some of the terms to allow for easier repayment criteria.

23 More importantly, *I Liheslaturan Guåhan* in discussions with the
24 Guam Housing Corporation and the mortgage community, identified
25 the key problems that adversely affected the eligibility of customers and

1 clients to participate in purchasing of not only the Lada Estates
2 residential project, but also various single family housing development
3 projects on Guam. Some of the problems are identified as:

4 (i) most prospective clients have high debt to income
5 ratios five (5) year short term debts;

6 (ii) most prospective clients are unable to meet the
7 required closing cost and down payment for their first-time home;
8 *and*

9 (iii) most prospective first-time homebuyers may need the
10 lease-to-own housing program so that they may utilize the lease
11 term to re-establish their credit and thus qualify for a typical
12 residential loan at the time of escrow closing of the purchase.

13 **Section 4703. Legislative Policy.** *I Liheslaturan Guåhan* in
14 its continuing effort to promote affordable housing programs for the
15 people finds that for many individuals and families the primary
16 obstacle to homeownership is their inability to save money for the initial
17 cost of buying a home, such as down payment and closing costs. To
18 effectuate additional housing programs, *I Liheslaturan Guåhan* in its
19 wisdom wishes to hereby establish a '*Lease-to-Own Housing Program*'.
20 Said Program shall afford opportunities for the private and government
21 sector to invest in affordable housing developments, particularly those
22 that offer lease to own provisions with options to exercise purchase
23 within three (3) to five (5) years. This would encourage public and
24 private collaboration in the search for the suitable financing mechanism
25 or mechanisms which could benefit the families who can afford to

1 purchase homes given financial assistance for closing costs and down
2 payment.

3 *I Liheslaturan Guåhan* wishes to encourage the participation of the
4 private sector working through the authority vested in the Guam
5 Housing Corporation through this Act. Furthermore, *I Liheslaturan*
6 *Guåhan* recognizes the opportunity for certain lending institutions and
7 lenders of capital to assist families in purchasing or building their first
8 home on their lot or purchasing homes available in the market. *I*
9 *Liheslaturan Guåhan* also wishes to recognize that the programs
10 contained herein are Community Reinvestment Act qualified, and in
11 conformance with various housing programs administered by the
12 Guam Housing Corporation, particularly those which can accommodate
13 the concept of 'lease-to-own' residential units of various sorts.

14 *I Liheslaturan Guåhan* also encourages the granting of any Guam
15 Economic Development Authority qualifying certificate benefits to the
16 developers involved in the Lada Estates project, as well as other similar
17 housing projects. In the case where a government entity is the
18 developer, such benefits may be passed on to the participating
19 contractors provided that such incentive would decrease the overall unit
20 cost of housing in the respective project.

21 **Section 4704. Definitions.** For purposes of this Act,
22 the following words and phrases are defined to mean:

23 (a) 'Affordable housing unit' shall mean a single family
24 dwelling unit inclusive of land, built in accordance with the
25 Uniform Building Code and in consonance with the Guam zoning

1 and subdivision laws whose selling price meets the criteria set
2 forth in the Guam Economic Development Authority Rules and
3 Regulations pertaining to 'affordable housing' adopted pursuant
4 to Public Law Number 24-266.

5 (b) 'Corporation' shall mean the Guam Housing
6 Corporation created pursuant to §4101 of Title 12 of the Guam
7 Code Annotated.

8 (c) 'Residence' shall mean a single family home, a
9 condominium housing unit or a housing unit owned by a
10 cooperative housing cooperation.

11 (d) 'Seller' shall mean the party to the lease-to-own
12 contract who is the seller of the residence.

13 (e) 'Tenant-Purchaser' shall mean the prospective person
14 who is a party to the lease-to-own contract.

15 **Section 4705. Lease-to-Own Program; Establishment;**
16 **Authorization to Participate.** The Guam Housing
17 Corporation ('Corporation') is hereby authorized to participate in lease-
18 to-own programs described in this Act. The purpose of a lease-to-own
19 program is to provide mortgage financing for a residence occupied as a
20 primary residence by a prospective mortgagor pursuant to a lease-to-
21 own contract with the owner of such property. The lease-to-own
22 contract shall provide for the eventual purchase by the resident of the
23 residence and an interim lease of the residence *prior to* the closing of the
24 purchase thereof.

25 **Section 4706. Authorization to Acquire Mortgage Loans.**

1 The Corporation may contract to acquire and may acquire a mortgage
2 loan or loans made by a bank, or other financial institution, to a seller
3 who has entered a lease-to-own contract with an eligible Tenant-
4 Purchaser for the property which is the subject of and security for such
5 mortgage loan.

6 **Section 4707. Lease-to-Own Contract.** The
7 Corporation is empowered to purchase or build, as well as incur debt to
8 achieve same, residences which the Corporation would own and lease
9 under the Program established herein.

10 (a) The lease-to-own contract shall contain:

11 (1) a lease of the residence, or in the case of
12 cooperative housing units a sublease, for a term *not* to
13 exceed five (5) years;

14 (2) provision for a rental payment *not less than* the
15 sum of:

16 (i) an amount sufficient to pay the estimated
17 property taxes and insurance on the residence, or in
18 the case of a cooperative unit, the maintenance
19 charges;

20 (ii) the cost of routine maintenance of the
21 residence, *unless* the lease-to-own contract requires the
22 Tenant-Purchaser to perform such maintenance at his
23 own expense;

24 (iii) an amount sufficient to pay interest on the
25 mortgage loan held by the Corporation on the

1 residence, less the estimated earnings on the escrow
2 fund provided in §4708 of this Act which is allocable
3 to such mortgage held by the Corporation;

4 (iv) an amount to be held in escrow, referred to
5 as the 'Tenant-Purchaser escrow,' which, when
6 accumulated over the period of the lease-to-own
7 contract or no more than five (5) years, will amount to
8 a sum sufficient to pay the Tenant-Purchaser's
9 required down payment under the lease-to-own
10 contract, plus the estimated closing costs of purchase
11 which will be allocable to the Tenant-Purchaser,
12 including the seller's closing cost at the initial closing
13 of the mortgage to the seller; *and*

14 (v) in the case of a condominium unit,
15 common charges;

16 (3) provisions obligating the Tenant-Purchaser to
17 buy and the seller to sell the residence at the end of the lease
18 term, which shall *not* exceed five (5) years;

19 (i) *if* Tenant Purchaser seeks to utilize any
20 HUD grants for down payment and closing cost
21 assistance, then Tenant Purchaser shall exercise the
22 purchase option on or before three (3) years;

23 (4) a provision that the default by the Tenant-
24 Purchaser under the provision of the lease-to-own contract
25 shall result in the forfeiture to the seller of all amount in the

1 Tenant-Purchaser escrow; furthermore, the various escrow
2 funds funded under the Program should be residence
3 specific, such that a default or other failure of the tenant to
4 purchase the unit within the five (5) years allowed would
5 result in the escrow being forfeited to the successor Tenant-
6 Purchaser, *and not* the Corporation;

7 (5) a provision that the Tenant-Purchaser shall have
8 the option upon reasonable notice to the seller and the
9 Corporation to elect to close the purchase of the residence
10 *not* earlier than one (1) year from the date of execution of the
11 lease-to-own contract;

12 (6) a provision that the rent shall be adjusted under
13 the lease-to-own contract periodically to take account of
14 changes in taxes, insurance, escrow earning, mortgage
15 interest and other variables intended to be covered by the
16 tenant's rental payments; *and*

17 (7) a provision governing the consequences of
18 default by each of the parties.

19 (b) The provisions of this Act shall *not* apply to the
20 tenancy of the Tenant-Purchaser under the lease-to-own contract
21 from and after the purchase by the Corporation of the mortgage
22 loan on the residence so long as the Corporation holds the
23 mortgage loan. The Corporation shall *not* sell the mortgage loan
24 *prior to* the closing of the transfer of title to the Tenant-Purchaser

1 or default by the Tenant-Purchaser under the lease-to-own
2 contract.

3 (c) The Corporation shall adopt procedures to ensure that
4 the payments contemplated by §4707(a)(2) of this Section are in
5 fact applied to those purposes.

6 **Section 4708. Tenant-Purchaser Escrow Account.**

7 (a) The mortgage loan documents, with respect to a
8 mortgage loan(s) in effect *prior to* the Tenant-Purchaser's purchase
9 of their respective units, shall provide there shall be retained over
10 the Tenant-Purchaser's lease term an amount held as additional
11 security for such loan(s) called the Tenant-Purchaser Escrow
12 Account. The Tenant-Purchaser Escrow Account will receive a
13 predetermined portion of the Tenant-Purchaser's monthly rental
14 amount as provided for in §4707(a)(2)(iv) of this Act, such portion
15 to be determined at commencement of the Tenant-Purchaser's
16 lease. The total amount contributed to the Tenant-Purchaser
17 Escrow Account by the Tenant-Purchaser over the lease term
18 should *not* be less than ten percent (10%) of the Tenant-
19 Purchaser's anticipated purchase price. Such Tenant-Purchaser
20 Escrow Account shall be held by a Trustee for the benefit of the
21 Corporation and the first mortgagee(s). The Corporation will
22 approve such Trustee. At the time of the Tenant-Purchaser's
23 purchase of the respective unit, the Trustee shall release and
24 disperse the Tenant-Purchaser Escrow Account to the unit Seller
25 to meet the Tenant-Purchaser's down payment requirement.

1 The escrow amounts pertaining to various lease-to-own
2 loans may be commingled for investment purposes. Trustees shall
3 keep separate records showing the amount in each Tenant-
4 Purchaser Escrow Account. Investment earnings on the Tenant-
5 Purchaser Escrow Account shall accrue to the benefit of the
6 Tenant-Purchaser.

7 (b) The Trustee shall periodically advise both the
8 Corporation and the Seller as to the amount and earnings in each
9 Tenant-Purchaser Escrow Account.

10 (c) In the event a default by the Tenant-Purchaser occurs,
11 as provided for in §4707(a)(5), the Trustee shall release only that
12 portion of the respective Tenant-Purchaser Escrow Account that is
13 needed to meet the following funding requirements:

14 (i) any costs incurred by the Corporation related to
15 deferred maintenance of the Tenant-Purchaser's respective
16 housing unit;

17 (ii) any costs to the Corporation due to re-
18 advertising, administrative financial fees and other liabilities
19 that may be a result of the Tenant-Purchaser caused default;
20 and

21 (iii) all funds remaining in the unit specific Tenant-
22 Purchaser Escrow Account will be retained by the Trustee
23 for the benefit of the next prospective Tenant-Purchaser to
24 occupy the defaulted unit, as is intended by and provided
25 for in §4704(a)(5) of this Act.

1 **Section 4709. Closing of Transfer of Title. (a) Disbursement**
2 **of Escrow Account.** At the closing of the transfer of title to the
3 residence to the Tenant-Purchaser to the lease-to-own contract, the
4 Corporation shall disburse the escrow amount to or for the
5 account of the Tenant-Purchaser.

6 **(b) Insurance.** At such closing the Corporation may
7 require the Tenant-Purchaser to furnish private mortgage
8 insurance if such insurance is required in the case of other
9 mortgage loans under this Title. *If* such insurance is *not*
10 obtainable in the private market at the time of such closing, the
11 Corporation is authorized to issue such insurance.

12 **Section 4710. Rules, Regulations and Restrictions.** The
13 Corporation shall establish such requirements with regard to lease-to-
14 own contracts, lease-to-own residence, the qualifications of Tenant-
15 Purchaser and the Corporation's participation in any lease-to-own
16 program, as may be deemed appropriate by the Corporation to achieve
17 the objectives of this Act. The Corporation's requirements, including,
18 but not limited to income limit applicable to the Tenant-Purchaser and
19 the purchase price of the residence, must be satisfied at or before the
20 time the mortgage loan is purchased, and the Tenant-Purchaser must be
21 deemed qualified by the Corporation at that time.

22 **Section 4711. Severability.** *If* any provision of this Law or
23 its application to any person or circumstance is found to be invalid or
24 contrary to law, such invalidity shall *not* affect other provisions or
25 applications of this Law which can be given effect without the invalid

1 provisions or application, and to this end the provisions of this Law are
2 severable."

3 **Section 3. Legislative Statement.** *I Liheslaturan Guåhan* finds that
4 Public Law Number 20-225, as amended by Public Law Number 24-81,
5 created an affordable housing program to be developed by the Guam
6 Housing Corporation ("Corporation") on Lot Numbers 10120-14 and 10120-16
7 in the municipality of Dededo, Guam. Furthermore, the property has been
8 conveyed to the Corporation and the Corporation has issued a request for
9 proposals for development of three hundred ninety-nine (399) residential
10 units, and is currently negotiating with qualified offers to design, finance and
11 construct the affordable housing units. Also, the Corporation has caused the
12 necessary infrastructure to be developed.

13 More importantly, the Corporation has requested *I Liheslaturan Guåhan*
14 to amend certain provisions of Public Law Number 20-225 in order to
15 facilitate the financing, design and construction of the units in order to render
16 the entire project viable. Moreover, *I Liheslaturan Guåhan* finds that the certain
17 amendments to Public Law Number 20-225 are necessary in order to comply
18 with Guam Law and allow the Corporation to fully develop and market the
19 affordable housing units.

20 **Section 4.** Section 5.1 is hereby *added* to Public Law Number 20-225 to
21 read as follows:

22 **"Section 5.1.** In the event that there are insufficient qualified
23 applicants of all classes ready, willing and able to purchase all of the
24 homes and lots upon their completion, the Corporation is authorized to
25 lease unsold homes and lots to qualified purchasers with or without

1 provisions to such leases providing for options or obligations to
2 purchase the homes and lots, and to assign the proceeds of such leases
3 to finance payment of the initial design, finance and construction of the
4 homes. In the event that the Corporation is unable to locate a sufficient
5 number of qualified purchasers to purchase or lease the homes and lots
6 as provided herein, the Corporation is authorized to lease the homes
7 and lots for terms *not* in excess of one (1) year, which lease shall be
8 renewable annually at the option of the Corporation. The proceeds of
9 the sales of such homes and lots, and the leases of such homes and lots,
10 may be assigned by the Corporation to the developer chosen by the
11 Corporation to the design, finance and construct the housing units in
12 order to finance payment of the initial design, finance and construction
13 of the homes and infrastructure improvements. As soon as qualified
14 purchasers become available, the homes and lots shall then be sold to
15 such qualified purchasers as provided in this Act."

16 **Section 5.** Section 6 of Public Law Number 20-225, as amended by
17 Public Law Number 24-81, is hereby further *amended* to read as follows:

18 **"Section 6. Prices.** The unit shall be sold at cost plus two
19 percent (2%), and Three Dollars (\$3.00) per square meter for the house
20 lot, and for a first time owner, no down payment shall be required.
21 Costs shall include, but are not limited to, all costs associated with the
22 design, on-site infrastructure, construction, financing, sale and project
23 management of the development. The two percent (2%) in excess of the
24 costs shall be retained by the Corporation for the payment of expenses it
25 will incur during the construction and monitoring of the project. The

1 proceeds from the sale of the lots shall be retained by the Corporation.
2 The costs of off-site infrastructure and off-site access roads shall be the
3 responsibility of the government of Guam. On-site infrastructure is
4 defined as all infrastructure improvements inside the lots described in
5 §2 of this Act. The proceeds from the sale of the lots shall be retained by
6 the Corporation. Of these proceeds, Two Hundred Thousand Dollars
7 (\$200,000.00) shall be used to prepare a comprehensive housing study
8 on homeownership for Guam and the balance shall be used for costs
9 associated with future affordable housing projects. The Corporation
10 shall establish a fund for the proceeds of the land sales that is separate
11 from its other accounts and shall report to *I Liheslaturan Guahan* each
12 year on the status of this fund.”

13 **Section 6.** Section 7.1 is hereby *added* to §7 of Public Law Number 20-
14 225, as further amended by Public Law Number 24-81, to read as follows:

15 **“Section 7.1. Equity Interest Recapture.** The difference
16 between the selling price of each unit and the initial appraised value of
17 each unit at the time of the sale is considered equity and shall be
18 available to the purchaser for down payment assistance and closing
19 costs. This equity shall *not* be used for debt consolidation. Participating
20 banks and financial institutions are encouraged to access this equity for
21 the purposes stated herein. *If* a homeowner uses any portion of this
22 equity for any purpose listed herein, and the homeowner decides to sell
23 the home before five (5) years have transpired from the date of original
24 purchase, then the homeowner shall be obligated to pay to Guam

1 Housing Corporation five percent (5%) interest per year on the amount
2 of equity used.

3 Guam Housing Corporation shall insert a provision in the
4 warranty deed for the property title 'Equity Interest Recapture Clause'.
5 The purpose of this provision is to establish a vehicle to recapture five
6 percent (5%) interest per year on the equity used by the homeowners in
7 the event the homeowners decide to resell the property in the first five
8 (5) years. This interest must be paid to the Corporation at the close of
9 escrow. *If the homeowner sells the home after five (5) years, then the*
10 *recapture clause shall have expired and the homeowner shall not be*
11 *required to pay the interest."*

12 **Section 7.** Section 12 of Public Law Number 20-225 is hereby *repealed*
13 *and reenacted* to read as follows:

14 **"Section 12. Zoning.** Upon conveyance of the
15 property described in §2 of this Act to the Corporation, such property
16 shall thereupon be zoned as a 'Multi-residential (R2)'. Any variance
17 required from Subdivision laws of Guam which would allow the Guam
18 Housing Corporation to maximize the marketability of the housing
19 units and lots of the Lada Estate Project is hereby granted so long as the
20 waiving or granting of such variance does *not* cause or result in danger
21 to the health, safety or livelihood of the residents of Lada and the
22 general public, and that such variance would *not* result in economic loss
23 to the Guam Housing Corporation and the homeowners of Lada
24 Estates".

1 **Section 8.** Section 17 is hereby *added* to Public Law Number 20-225 to
2 read as follows:

3 **“Section 17. Exemption. Sales of homes of**
4 lots to qualified purchasers pursuant to this Act are hereby exempt from
5 the provisions of §60112 of Article 1 of Title 21 of the Guam Code
6 Annotated and §2107 of Chapter 2 of Title 2 of the Guam Code
7 Annotated. For purposes of this Act, the Lada Estates Project shall be
8 exempted from the provisions of Public Law Number 18-15.”

9 **Section 9. Severability.** *If* any provision of this Law or its
10 application to any person or circumstance is found to be invalid or contrary to
11 law, such invalidity shall *not* affect other provisions or applications of this
12 Law which can be given effect without the invalid provisions or application,
13 and to this end the provisions of this Law are severable.

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



March 14, 2000


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



Dear *Maga'lahi* Gutierrez:

Transmitted herewith are Substitute Bill Nos. 267(LS), 288(COR) and 377(COR) which were passed by *I Mina'Bente Singko Na Liheslaturan Guåhan* on March 9, 2000.

Sincerely,



JOANNE M.S. BROWN
Senator and Legislative Secretary

Enclosure (3)

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 Substitute Bill No 377 (COR) "AN ACT TO ADD ARTICLE 7 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED; AND TO ADD §§5.1, 7.1 AND 17, TO AMEND §6 AND TO REPEAL AND REENACT §12, ALL TO P.L. NO. 20-225, RELATIVE TO ESTABLISHING A LEASE-TO-OWN HOUSING PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS 'THE LEASE-TO-OWN HOUSING 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 14th day of March, 2000,
at 4:20 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. 377 (COR)

As substituted 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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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 7 TO CHAPTER 4 OF TITLE 12 OF THE GUAM CODE ANNOTATED; AND TO ADD §§5.1, 7.1 AND 17, TO AMEND §6 AND TO REPEAL AND REENACT §12, ALL TO P.L. NO. 20-225, RELATIVE TO ESTABLISHING A LEASE-TO-OWN HOUSING PROGRAM FOR QUALIFIED APPLICANTS AND FIRST TIME HOMEBUYERS, AND TO CITE THE ACT AS "THE LEASE-TO-OWN HOUSING 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 *Lease-to-Own Housing Program Act of 2000*".

4 **Section 2.** Article 7 is hereby *added* to Chapter 4 of Title 12 of the Guam
5 Code Annotated to read as follows:

6 **"ARTICLE 7.**

7 **LEASE-TO-OWN HOUSING PROGRAM.**

8 **Section 4701. Title.**

9 **Section 4702. Legislative Findings.**

10 **Section 4703. Legislative Policy.**

11 **Section 4704. Definitions.**

12 **Section 4705. Lease-to-Own Program; Establishment;**
13 **Authorization to Participate.**

14 **Section 4706. Authorization to Acquire Mortgage**
15 **Loans.**

16 **Section 4707. Lease-to-Own Contract.**

17 **Section 4708. Tenant-Purchaser Escrow Account.**

18 **Section 4709. Closing of Transfer of Title.**

19 **Section 4710. Rules, Regulations and Restrictions.**

20 **Section 4711. Severability.**

21
22 **Section 4701. Title.** This Article shall be known and shall
23 be cited as '*The Lease-to-Own Housing Program Act of 2000.*'

1 **Section 4702. Legislative Findings.** *I Liheslaturan Guåhan*
2 finds that in 1997, Guam Housing Corporation announced a bid for the
3 design, building and financing of infrastructure requirements for Lada
4 Estates. As a result, Maeda Pacific Corporation ('Maeda') the selected
5 bidder, was granted a contract to design, build and finance the project.
6 The Guam Housing Corporation and Maeda executed a contract in the
7 amount over Ten Million Dollars to fulfill the project's scope of work.

8 Furthermore, *I Liheslaturan Guåhan* finds that Maeda agreed to the
9 terms such that payment would be due from a developer who would
10 finance both the outstanding contract with Maeda and the development
11 of the units at Lada Estates. To date, Guam Housing Corporation has
12 entertained several bids, but is unable to secure any contract with a
13 developer. Also, *I Liheslaturan Guåhan* finds that the infrastructure
14 project was due and payable on or before November 1998.

15 *I Liheslaturan Guåhan* also finds that while there have been several
16 bid announcements, initiated by the Guam Housing Corporation, for
17 the construction of the Lada Estates project which have been advertised
18 in conformance with the procurement laws of Guam. Unfortunately, no
19 bidder has been able to meet the required terms of the contract due to
20 the provisions requiring substantial up front financial reimbursement to
21 Maeda. As a result of this hindrance, Maeda has agreed to renegotiate
22 some of the terms to allow for easier repayment criteria.

23 More importantly, *I Liheslaturan Guåhan* in discussions with the
24 Guam Housing Corporation and the mortgage community, identified
25 the key problems that adversely affected the eligibility of customers and

1 clients to participate in purchasing of not only the Lada Estates
2 residential project, but also various single family housing development
3 projects on Guam. Some of the problems are identified as:

4 (i) most prospective clients have high debt to income
5 ratios five (5) year short term debts;

6 (ii) most prospective clients are unable to meet the
7 required closing cost and down payment for their first-time home;
8 *and*

9 (iii) most prospective first-time homebuyers may need the
10 lease-to-own housing program so that they may utilize the lease
11 term to re-establish their credit and thus qualify for a typical
12 residential loan at the time of escrow closing of the purchase.

13 **Section 4703. Legislative Policy.** *I Liheslaturan Guåhan* in
14 its continuing effort to promote affordable housing programs for the
15 people finds that for many individuals and families the primary
16 obstacle to homeownership is their inability to save money for the initial
17 cost of buying a home, such as down payment and closing costs. To
18 effectuate additional housing programs, *I Liheslaturan Guåhan* in its
19 wisdom wishes to hereby establish a '*Lease-to-Own Housing Program*'.
20 Said Program shall afford opportunities for the private and government
21 sector to invest in affordable housing developments, particularly those
22 that offer lease to own provisions with options to exercise purchase
23 within three (3) to five (5) years. This would encourage public and
24 private collaboration in the search for the suitable financing mechanism
25 or mechanisms which could benefit the families who can afford to

1 purchase homes given financial assistance for closing costs and down
2 payment.

3 *I Liheslaturan Guåhan* wishes to encourage the participation of the
4 private sector working through the authority vested in the Guam
5 Housing Corporation through this Act. Furthermore, *I Liheslaturan*
6 *Guåhan* recognizes the opportunity for certain lending institutions and
7 lenders of capital to assist families in purchasing or building their first
8 home on their lot or purchasing homes available in the market. *I*
9 *Liheslaturan Guåhan* also wishes to recognize that the programs
10 contained herein are Community Reinvestment Act qualified, and in
11 conformance with various housing programs administered by the
12 Guam Housing Corporation, particularly those which can accommodate
13 the concept of 'lease-to-own' residential units of various sorts.

14 *I Liheslaturan Guåhan* also encourages the granting of any Guam
15 Economic Development Authority qualifying certificate benefits to the
16 developers involved in the Lada Estates project, as well as other similar
17 housing projects. In the case where a government entity is the
18 developer, such benefits may be passed on to the participating
19 contractors provided that such incentive would decrease the overall unit
20 cost of housing in the respective project.

21 **Section 4704. Definitions.** For purposes of this Act,
22 the following words and phrases are defined to mean:

23 (a) '*Affordable housing unit*' shall mean a single family
24 dwelling unit inclusive of land, built in accordance with the
25 Uniform Building Code and in consonance with the Guam zoning

1 and subdivision laws whose selling price meets the criteria set
2 forth in the Guam Economic Development Authority Rules and
3 Regulations pertaining to 'affordable housing' adopted pursuant
4 to Public Law Number 24-266.

5 (b) '*Corporation*' shall mean the Guam Housing
6 Corporation created pursuant to §4101 of Title 12 of the Guam
7 Code Annotated.

8 (c) '*Residence*' shall mean a single family home, a
9 condominium housing unit or a housing unit owned by a
10 cooperative housing cooperation.

11 (d) '*Seller*' shall mean the party to the lease-to-own
12 contract who is the seller of the residence.

13 (e) '*Tenant-Purchaser*' shall mean the prospective person
14 who is a party to the lease-to-own contract.

15 **Section 4705. Lease-to-Own Program; Establishment;**
16 **Authorization to Participate.** The Guam Housing
17 Corporation ('Corporation') is hereby authorized to participate in lease-
18 to-own programs described in this Act. The purpose of a lease-to-own
19 program is to provide mortgage financing for a residence occupied as a
20 primary residence by a prospective mortgagor pursuant to a lease-to-
21 own contract with the owner of such property. The lease-to-own
22 contract shall provide for the eventual purchase by the resident of the
23 residence and an interim lease of the residence *prior to* the closing of the
24 purchase thereof.

25 **Section 4706. Authorization to Acquire Mortgage Loans.**

1 The Corporation may contract to acquire and may acquire a mortgage
2 loan or loans made by a bank, or other financial institution, to a seller
3 who has entered a lease-to-own contract with an eligible Tenant-
4 Purchaser for the property which is the subject of and security for such
5 mortgage loan.

6 **Section 4707. Lease-to-Own Contract.** The
7 Corporation is empowered to purchase or build, as well as incur debt to
8 achieve same, residences which the Corporation would own and lease
9 under the Program established herein.

10 (a) The lease-to-own contract shall contain:

11 (1) a lease of the residence, or in the case of
12 cooperative housing units a sublease, for a term *not* to
13 exceed five (5) years;

14 (2) provision for a rental payment *not less than* the
15 sum of:

16 (i) an amount sufficient to pay the estimated
17 property taxes and insurance on the residence, or in
18 the case of a cooperative unit, the maintenance
19 charges;

20 (ii) the cost of routine maintenance of the
21 residence, *unless* the lease-to-own contract requires the
22 Tenant-Purchaser to perform such maintenance at his
23 own expense;

24 (iii) an amount sufficient to pay interest on the
25 mortgage loan held by the Corporation on the

1 residence, *less* the estimated earnings on the escrow
2 fund provided in §4708 of this Act which is allocable
3 to such mortgage held by the Corporation;

4 (iv) an amount to be held in escrow, referred to
5 as the 'Tenant-Purchaser escrow,' which, when
6 accumulated over the period of the lease-to-own
7 contract or no more than five (5) years, will amount to
8 a sum sufficient to pay the Tenant-Purchaser's
9 required down payment under the lease-to-own
10 contract, plus the estimated closing costs of purchase
11 which will be allocable to the Tenant-Purchaser,
12 including the seller's closing cost at the initial closing
13 of the mortgage to the seller; *and*

14 (v) in the case of a condominium unit,
15 common charges;

16 (3) provisions obligating the Tenant-Purchaser to
17 buy and the seller to sell the residence at the end of the lease
18 term, which shall *not* exceed five (5) years;

19 (i) *if* Tenant Purchaser seeks to utilize any
20 HUD grants for down payment and closing cost
21 assistance, then Tenant Purchaser shall exercise the
22 purchase option on or before three (3) years;

23 (4) a provision that the default by the Tenant-
24 Purchaser under the provision of the lease-to-own contract
25 shall result in the forfeiture to the seller of all amount in the

1 **Section 4709. Closing of Transfer of Title. (a) Disbursement**
2 **of Escrow Account.** At the closing of the transfer of title to the
3 residence to the Tenant-Purchaser to the lease-to-own contract, the
4 Corporation shall disburse the escrow amount to or for the
5 account of the Tenant-Purchaser.

6 **(b) Insurance.** At such closing the Corporation may
7 require the Tenant-Purchaser to furnish private mortgage
8 insurance if such insurance is required in the case of other
9 mortgage loans under this Title. *If* such insurance is *not*
10 obtainable in the private market at the time of such closing, the
11 Corporation is authorized to issue such insurance.

12 **Section 4710. Rules, Regulations and Restrictions.** The
13 Corporation shall establish such requirements with regard to lease-to-
14 own contracts, lease-to-own residence, the qualifications of Tenant-
15 Purchaser and the Corporation's participation in any lease-to-own
16 program, as may be deemed appropriate by the Corporation to achieve
17 the objectives of this Act. The Corporation's requirements, including,
18 but not limited to income limit applicable to the Tenant-Purchaser and
19 the purchase price of the residence, must be satisfied at or before the
20 time the mortgage loan is purchased, and the Tenant-Purchaser must be
21 deemed qualified by the Corporation at that time.

22 **Section 4711. Severability.** *If* any provision of this Law or
23 its application to any person or circumstance is found to be invalid or
24 contrary to law, such invalidity shall *not* affect other provisions or
25 applications of this Law which can be given effect without the invalid

1 provisions or application, and to this end the provisions of this Law are
2 severable."

3 **Section 3. Legislative Statement.** *I Liheslaturan Guåhan* finds that
4 Public Law Number 20-225, as amended by Public Law Number 24-81,
5 created an affordable housing program to be developed by the Guam
6 Housing Corporation ("Corporation") on Lot Numbers 10120-14 and 10120-16
7 in the municipality of Dededo, Guam. Furthermore, the property has been
8 conveyed to the Corporation and the Corporation has issued a request for
9 proposals for development of three hundred ninety-nine (399) residential
10 units, and is currently negotiating with qualified offers to design, finance and
11 construct the affordable housing units. Also, the Corporation has caused the
12 necessary infrastructure to be developed.

13 More importantly, the Corporation has requested *I Liheslaturan Guåhan*
14 to amend certain provisions of Public Law Number 20-225 in order to
15 facilitate the financing, design and construction of the units in order to render
16 the entire project viable. Moreover, *I Liheslaturan Guåhan* finds that the certain
17 amendments to Public Law Number 20-225 are necessary in order to comply
18 with Guam Law and allow the Corporation to fully develop and market the
19 affordable housing units.

20 **Section 4.** Section 5.1 is hereby *added* to Public Law Number 20-225 to
21 read as follows:

22 "Section 5.1. In the event that there are insufficient qualified
23 applicants of all classes ready, willing and able to purchase all of the
24 homes and lots upon their completion, the Corporation is authorized to
25 lease unsold homes and lots to qualified purchasers with or without

1 provisions to such leases providing for options or obligations to
2 purchase the homes and lots, and to assign the proceeds of such leases
3 to finance payment of the initial design, finance and construction of the
4 homes. In the event that the Corporation is unable to locate a sufficient
5 number of qualified purchasers to purchase or lease the homes and lots
6 as provided herein, the Corporation is authorized to lease the homes
7 and lots for terms *not* in excess of one (1) year, which lease shall be
8 renewable annually at the option of the Corporation. The proceeds of
9 the sales of such homes and lots, and the leases of such homes and lots,
10 may be assigned by the Corporation to the developer chosen by the
11 Corporation to the design, finance and construct the housing units in
12 order to finance payment of the initial design, finance and construction
13 of the homes and infrastructure improvements. As soon as qualified
14 purchasers become available, the homes and lots shall then be sold to
15 such qualified purchasers as provided in this Act."

16 **Section 5.** Section 6 of Public Law Number 20-225, as amended by
17 Public Law Number 24-81, is hereby further *amended* to read as follows:

18 "Section 6. **Prices.** The unit shall be sold at cost plus two
19 percent (2%), and Three Dollars (\$3.00) per square meter for the house
20 lot, and for a first time owner, no down payment shall be required.
21 Costs shall include, but are not limited to, all costs associated with the
22 design, on-site infrastructure, construction, financing, sale and project
23 management of the development. The two percent (2%) in excess of the
24 costs shall be retained by the Corporation for the payment of expenses it
25 will incur during the construction and monitoring of the project. The

1 **Section 8.** Section 17 is hereby *added* to Public Law Number 20-225 to
2 read as follows:

3 **“Section 17. Exemption.** Sales of homes of
4 lots to qualified purchasers pursuant to this Act are hereby exempt from
5 the provisions of §60112 of Article 1 of Title 21 of the Guam Code
6 Annotated and §2107 of Chapter 2 of Title 2 of the Guam Code
7 Annotated. For purposes of this Act, the Lada Estates Project shall be
8 exempted from the provisions of Public Law Number 18-15.”

9 **Section 9. Severability.** *If* any provision of this Law or its
10 application to any person or circumstance is found to be invalid or contrary to
11 law, such invalidity shall *not* affect other provisions or applications of this
12 Law which can be given effect without the invalid provisions or application,
13 and to this end the provisions of this Law are severable.



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

**FILE
COPY**

February 8, 2000
(DATE)

Memorandum

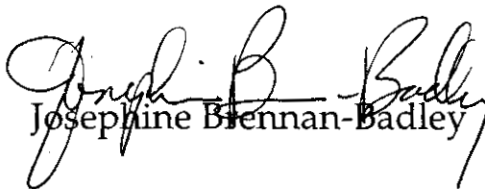
To: Senator KALEO S. MOYLAN

From: Clerk of the Legislature

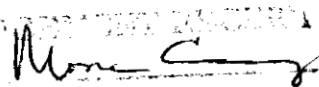
Subject: Report on Bill No. 377(COR)

Pursuant to §7.04 of Rule VII of the 25th Standing Rules, transmitted herewith is a copy of the Committee Report on Bill No. 377(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. 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,"* has had the same under consideration, and now wishes to report back the same with the recommendation to do pass as substituted.

The Committee votes are as follows:

	To Do Pass
	Not to Pass
	Abstain
	Inactive File

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

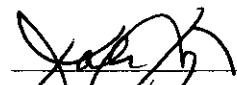
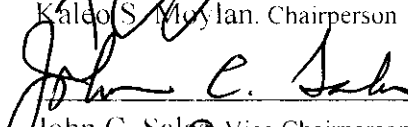
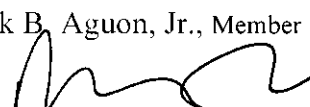
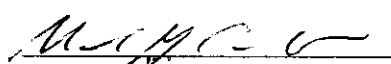
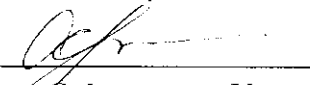


Thank you,


KALEO S. MOYLAN
Chairperson

Enclosure:

**Committee Housing, General
Government Services and Foreign Affairs
Vote Sheet on
Substitute 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."

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	✓			

**Committee on Housing, General
Government Services and Foreign Affairs
Report On
Bill No. 377 (COR)
*As substituted by the Committee.***

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." 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. 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." 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 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. Tom Nielson, Maeda Pacific Corporation, Mr. Dave Silva and Ms. Lisa Taitano both from the Guam Economic Development Authority (GEDA) and Ms. Marilyn D.A. Manibusan.

Mr. Sablan thanked the sponsors of Bill No. 377 for their proactive approach towards the Lada estates Affordable Housing Project. Mr. Sablan informed the Committee of his ongoing research concerning the lease-to-own housing programs at the national level in an effort to learn more about strengths and weakness of such a program. This information will be provided to the Committee to further everyone's insights to such an approach for developing affordable housing for the low and moderate income families of Guam.

Mr. Sablan stated that GHC would seek the advice of HUD, Freddie Mac and other institutional lenders for more information and knowledge about the lease to own housing concept. The President of GHC stressed the need for further study of the funding mechanism contained in Bill

No. 377 to ensure that a win-win outcome occurs for the benefit of all borrowers and lenders. [See Exhibit A]

On behalf of Public Finance Associates, Inc., Mr. Morcilla read a letter sent to the Committee from Mr. Philip C. Bennett, President of Public Finance Associates, Inc. a Florida based housing finance and development company. [The testimony is attached as Exhibit B.]

Mr. Morcilla on behalf of Plan Rite, commented on the need to re-write Section 4708 of the Bill relative to the management of tenant escrow funds. [Refer to Exhibit C.]

In summary, Mr. Morcilla supported both the intent and approach that Bill No. 377 offered to address housing needs of Guam. He thanked the Committee for their effort in developing such law and also for the opportunity to provide input that may improve the implementation of the recommended lease-to-own program.

Mr. Tom Nielson, General Manager, Maeda Pacific Corporation made brief remarks concerning the Pacific Daily News article of January 27, 2000. He stated that his company is correctly known as "Maeda Pacific Corporation." He also pointed out that the amount of money, owed to his company by the government of Guam is not \$10 Million but , to be exact is in the area of \$10.555 Million.

Maeda took a fast track construction approach which enabled them to complete LADA Estates within two and a half years not seven years as reported by PDN. Mr. Nielson thanked the Committee for hearing Bill No. 377 and expressed his support for the effort being made to address and resolve the LADA Estates dilemma.

At this juncture, the Committee Chairman called on Marilyn D.A. Manibusan. Ms. Manibusan cited the Mortgage Revenue Bond ("MRB") problem to be the lack of interest that local lending institutions have in the project. This is due to the low profitability and earnings expected from lending to first-time homeowners in the low and moderate income bracket. She stated that the MRB is a good program, at a rate of 6.15%, 30 year fixed. It is the best rate you would find locally. Some associated problems include: application fee (non refundable); down payment (3.7%); closing costs and the ability to fund other up-front costs.

Ms. Manibusan supports the Bill, cites CAHAT and other programs of past as imperfect. The initiative of the lease-to-own program is very good. God things can be happen, and GHC may be saved by such an initiative. She expressed her support for the program and urged the Committee to act favorably on said measure.

Ms. Lisa Taitano representing GEDA expressed a concern about the lease-to-own competing if not adversely affecting the existing MRB. The lease-to-own program may not be financed by the MRB (existing bond proceeds). Also, the industry and IRS may be concerned about certain perceived abuses related to meeting public purposes criteria.

Ms. Taitano added that the lease-to-own program may be financed with tax-exempt bonds, however, there are certain complexities with this approach and further study is needed. Ms. Taitano offered the Committee additional testimony from bond Counsel Orrich, Herrington and Sutcliffe. [Refer to Exhibit D.]

There being no further witnesses, the Chairman adjourned the Committee hearing on Bill No. 377 (COR).

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

1. CONCERN: GEDA is concerned that the programs proposed in Bill Nos. 377 and 378 would compete with MRB program in ways not described by the official statement and in ways that may hurt whatever chance GHC has to make use of the MRB proceeds. This would be true to some degree whether the new program were focused on Lada Estates or not. It would be hard to design the new program so that it did not compete for housing product, even if it did not compete for potential mortgagors.

Committee Response: The Lease-to-Own and Mortgage Credit Certificate Programs *would not* compete with the MRB.

First, the lease-to-own program simply proposes a financing mechanism for families who *are not* MRB qualified; e.g. families with derogatory credit, lack the down payment or closing cost required, and/or fail to meet the required debt-to-income ratio. Borrowers who would utilize the lease-to-own program would be non-conforming borrowers - families who don't have the resources or acceptable credit history to qualify on the typical conforming loan products.

Secondly, the Mortgage Credit Certificate is not a mortgage product; it is a tax credit product to assist families lower mortgage payments.

If we go by the theory that the lease-to-own program is a competitive product to the MRB, then loan products such as Rural Development, FHA, VA, Conforming Freddie Mac and Fannie Mae Loans, are all competitive products to the MRB.

2. CONCERN: The lease to own program may not be financed with the existing bond proceeds.

Committee Response: Bill No. 377 *does not* propose that the MRB be converted to a lease-to- own funding source. The bill only seeks to provide an alternative financing mechanism for first-time homeowners who *do not* meet the MRB requirements, such as inability to meet down payment & closing cost requirements; securing a credit rating that is acceptable to Freddie Macs' strict credit criteria; and meeting the debt-to-income ratio acceptable to Freddie Mac or the MRB.

3. CONCERN: It is likely that a lease to own program would need to be financed by GHC from its bank loans or internal resources. Although it is possible to finance a lease to own program with tax exempt bonds, the industry and the IRS may be concerned about certain perceived abuses relating to the fact that such bonds would be financing private homeownership without use of private activity bond allocation and without needing to meet the public purpose criteria of MRB. The criteria to avoid any abuse are not conducive to easy management of a program without outside financial support, and the character of the

needed financial support similar to the financial support that would have made Lada Estates more workable in its current form.

Committee Response: The lease-to-own program *will not* be financed by GHC but rather by the private market. The private market would, of course, have to conform to the rules and regulations set forth by lending institutions pursuant to applicable federal regulations.

If it was the Committee's intent for GHC to float a tax exempt bond for the lease-to-own program, the Committee would have worked with GEDA to develop the right language to make the legislation work. However, having recognized the need to provide alternative financing for families who *do not* meet MRB requirements for homeownership, the lease-to-own approach using other financing resources is recommended; this is the intent in Bill 377.

4. CONCERN: An MCC program would compete directly for mortgagors and housing products eligible for the MRB program. Once the MRB program is past its full origination period (its 42 month) and if it proves to be unsuccessful, the MCC program may be a reasonable program to implement.

Committee Response: An MCC program is not a mortgage product but a tax credit product only affecting the individual's W-4 form which results in additional disposable income for the homeowner to apply towards mortgage payments - *it is not a mortgage pool.*

In summary, the lease-to-own and MCC programs are complementary programs aimed at qualifying non-conforming first-time home borrowers who do not qualify under conforming loan programs. It seeks to bridge the borrowing capacity of potential homeowners from lease-to-own to final home ownership. It is also important to note that these programs are not only directed to assist potential homeowners at Lada Estates but also to other government-subsidized and private housing development programs.

RECOMMENDATION: The Committee, having reviewed the testimonies presented at the public hearing, does hereby recommend that 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,"** as substituted by the Committee, be passed by *I Liheslaturan Guåhan.*

Profile on Substitute Bill No. 377 (COR)

Brief Title: ***"The Lease-To-Own Housing 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* 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."*

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

Recommendation: To do pass as substituted by the Committee.

A Closer Look

During discussions with the witnesses, the Committee finds that:

Concern: GEDA is concerned that the programs proposed in Bill Nos. 377 and 378 would compete with the MRB program in ways not described by the official statement and in ways that may hurt whatever chance GHC has to make use of the MRB proceeds. This would be true to some degree whether the new program were focused on Lada Estates or not. It would be hard to design the new program so that it did not compete for housing product, even if it did not compete for potential mortgagors.

A Closer Look Reveals: The Lease-to-Own and Mortgage Credit Certificate Programs *would not* compete with the MRB.

First, the lease-to-own program simply proposes a financing mechanism for families who *are not* MRB qualified; e.g. families with derogatory credit, lack the down payment or closing cost required, and/or fail to meet the required debt-to-income ratio. Borrowers who would utilize the

lease-to-own program would be non-conforming borrowers - families who don't have the resources or acceptable credit history to qualify on the typical conforming loan products.

Secondly, the Mortgage Credit Certificate is not a mortgage product; it is a tax credit product to assist families lower mortgage payments.

If we go by the theory that the lease-to-own program is a competitive product to the MRB, then loan products such as Rural Development, FHA, VA, Conforming Freddie Mac and Fannie Mae Loans, are all competitive products to the MRB.

Concern: The lease-to-own program may not be financed with the existing bond proceeds.

A Closer Look Reveals: Bill No. 377 *does not* propose that the MRB be converted to a lease-to-own funding source. The bill only seeks to provide an alternative financing mechanism for first-time homeowners who *do not* meet the MRB requirements, such as inability to meet down payment & closing cost requirements; securing a credit rating that is acceptable to Freddie Mac's strict credit criteria; and meeting the debt-to-income ratio acceptable to Freddie Mac or the MRB.

Concern: It is likely that a lease to own program would need to be financed by GHC from its bank loans or internal resources. Although it is possible to finance a lease to own program with tax exempt bonds, the industry and the IRS may be concerned about certain perceived abuses relating to the fact that such bonds would be financing private homeownership without use of private activity bond allocation and without needing to meet the public purpose criteria of MRB. The criteria to avoid any abuse are not conducive to easy management of a program without outside financial support, and the character of the needed financial support similar to the financial support that would have made Lada Estates more workable in its current form.

A Closer Look Reveals: The lease-to-own program *will not* be financed by GHC but rather by the private market. The private market would, of course, have to conform to the rules and regulations set forth by lending institutions pursuant to applicable federal regulations.

If it was the Committee's intent for GHC to float a tax exempt bond for the lease-to-own program, the Committee would have worked with GEDA to develop the right language to make the legislation work. However, having recognized the need to provide alternative financing for families who *do not* meet MRB requirements for homeownership, the lease-to-own approach using other financing resources is recommended; this is the intent in Bill 377.

Concern: An MCC program would compete directly for mortgagors and housing products eligible for the MRB program. Once the MRB program is past its full origination period (its 42 month) and if it proves to be unsuccessful, the MCC program may be a reasonable program to implement.

A Closer Look Reveals: An MCC program is not a mortgage product but a tax credit product only affecting the individual's W-4 form which results in additional disposable income for the homeowner to apply towards mortgage payments - *it is not a mortgage pool.*

In summary, the lease-to-own and MCC programs are complementary programs aimed at qualifying non-conforming first-time home borrowers who do not qualify under conforming loan programs. It seeks to bridge the borrowing capacity of potential homeowners from lease-to-own to final home ownership. It is also important to note that these programs are not only directed to assist potential homeowners at Lada Estates but also to other government-subsidized and private housing development programs.

Section Analysis

Section 1. Cites the Act as "*The Lease-to-Own Housing Program of 2000.*"

Section 2. Adds a new Article 7 to Chapter 4 of Title 12 of the Guam Code Annotated, establishing a Lease-to-Own Program for first time home buyers.

Section 4701. Cites and makes reference that Article 7 shall be known as "*The Lease-to-Own Housing Program Act of 2000.*"

Section 4702. Legislative Findings. Enumerates the Legislature's findings.

Section 4703. Legislative Policy. Outlines the Legislature's policy on the program.

Section 4704. Definitions. Defines certain words and phrases used throughout Article 7.

Section 4705. Lease-to-Own Program; Establishment; Authorization to Participate. Authorizes GHC to participate in lease-to-own programs.

Section 4706. Authorization to Acquire Mortgage Loans. Provides that GHC may contract to acquire and may acquire a mortgage loan or loans made by a bank, to a seller who has entered a lease-to-own contract with an eligible tenant-purchaser for the property which is the subject of and security for such mortgage loan.

Section 4707. Lease-to-Own Contract. Empowers GHC to purchase or build, own and lease under the program.

Section 4708. Tenant-Purchaser Escrow Account. Provides that the Tenant-Purchaser Escrow Account will receive a predetermined portion of the tenant-purchaser's monthly rental and that such portion shall be determined at commencement of the tenant-purchaser's lease.

Section 4709. Closing of Transfer of Title. Disbursement of Escrow Account. Provides that at the closing of the transfer of title, GHC shall disburse the escrow amount. It further provides that at closing, GHC requires that the tenant must furnish private mortgage insurance.

Section 4710. Rules, Regulations and Restrictions. Provides that GHC shall establish rules and regulations with regard to lease-to-own contracts, lease-to-own residence, the qualifications of tenant-purchaser, and the Corporation's participation in any lease-to-own program, as

Section 4711. Severability.

Section 3. Legislative Statement. Reiterates the concerns expressed by GHC to amend certain provisions of Public Law Number 20-225 in order to facilitate the financing, design and construction of the units in order to render the entire project viable.

Section 4. Adds a new Section 5.1 to Public Law Number 20-225. The new Section provides that in the event there are insufficient qualified applicants of all classes ready, willing and able to purchase all of the homes and lots upon their completion, the Corporation is authorized to lease unsold homes and lots to qualified purchasers with or without provisions to such leases providing for options or obligations to purchase the homes and lots, and to assign the proceeds of such leases to finance payment of the initial design, finance and construction of the homes.

Section 5. Amends Section 6 of Public Law No. 20-225. The amendment provides that the costs 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.

Section 6. Adds a new Section 7.1 to Section 7 of Public Law Number 20-225. The new Section provides for an “Equity Interest Recapture Clause.” It further outlines that the difference between the selling price of each unit and the initial appraised value of each unit at the time of the sale is considered equity and shall be available to the purchaser for down payment assistance and closing costs. This equity shall not be used for debt consolidation.

Section 7. Repeals and reenacts Section 12 of Public Law Number 20-225 rezoning the proposed project site from PUD to “Multi-residential (R2).”

Section 8. Adds a new Section 17 to Public Law Number 20-225. The new Section 17 provides for an exemption on the sale of homes to qualified purchasers.





Section 9. Severability.

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

Bill No. 377 (COR)

As substituted 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

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.*"

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 *to-Own Housing Program of 2000.*"

4 **Section 2.** A new Article 7 is hereby *added* to Chapter 4 of Title 12 of the
5 Guam Code Annotated to read as follows:

6 **"ARTICLE 7.**
7 **LEASE-TO-OWN HOUSING PROGRAM.**

1	Section 4701.	Title.
2	Section 4702.	Legislative Findings.
3	Section 4703.	Legislative Policy.
4	Section 4704.	Definitions.
5	Section 4705.	Lease-to-Own Program; Establishment;
6		Authorization to Participate.
7	Section 4706.	Authorization to Acquire Mortgage Loans.
8	Section 4707.	Lease-to-Own Contract.
9	Section 4708.	Tenant-Purchaser Escrow Account.
10	Section 4709.	Closing of Transfer of Title.
11	Section 4710.	Rules, Regulations and Restrictions.
12	Section 4711.	Severability.

13

14

Section 4701. Title. This Article shall be known and shall be cited as *"The Lease-to-Own Housing Program Act of 2000."*

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16

Section 4702. Legislative Findings. *I Liheslaturan Guåhan* finds that in 1997, Guam Housing Corporation announced a bid for the design, building and financing of infrastructure requirements for Lada Estates. As a result, Maeda Pacific Corporation ("Maeda") the selected bidder, was granted a contract to design, build and finance the project. The Guam Housing Corporation and Maeda executed a contract in the amount over \$10 Million to fulfill the project's scope of work.

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Furthermore, *I Liheslaturan Guåhan* finds that Maeda agreed to the terms such that payment would be due from a developer who would finance both the outstanding contract with Maeda and the development of the units at Lada Estates. To date, Guam Housing Corporation has entertained several bids

1 but is unable to secure any contract with a developer. Also *I Liheslaturan*
2 *Guåhan* finds that the infrastructure project was due and payable on or before
3 November 1998.

4 *I Liheslaturan Guåhan* also finds that while there have been several bid
5 announcements, initiated by the Guam Housing Corporation, for the
6 construction of the Lada Estates project which have been advertised in
7 conformance with the procurement laws of Guam. Unfortunately, no bidder
8 has been able to meet the required terms of the contract due to the provisions
9 requiring substantial up front financial reimbursement to Maeda. As a result of
10 this hindrance, Maeda has agreed to renegotiate some of the terms to allow for
11 easier repayment criteria.

12 More importantly, *I Liheslaturan Guåhan* in discussions with the Guam
13 Housing Corporation and the mortgage community, identified the key problems
14 that adversely affected the eligibility of customers and clients to participate in
15 purchasing of not only the Lada Estates residential project but also various
16 single family housing development projects in Guam. Some of the problems
17 are identified as:

18 (i) most prospective clients have high debt to income ratios
19 five (5) year short term debts; *and*

20 (ii) most prospective clients are unable to meet the required
21 closing cost and down payment for their first-time home; *and*

22 (iii) most prospective first time homebuyers may need the lease-
23 to-own housing program so that they may utilize the lease term to re-
24 establish his or her credit and thus qualify for a typical residential loan at
25 the time of escrow closing of the purchase.

1 **Section 4703. Legislative Policy.** *I Liheslaturan Guåhan* in its
2 continuing effort to promote affordable housing programs for the people finds
3 that for many individuals and families the primary obstacle to homeownership
4 is their inability to save money for the initial cost of buying a home, such as
5 down payment and closing costs. To effectuate additional housing programs, *I*
6 *Liheslaturan Guåhan* in its wisdom wishes to hereby establish a "*Lease-to-Own*
7 *Housing Program.*" Said program shall afford opportunities for the private
8 and government sector to invest in affordable housing developments
9 particularly those that offer lease to own provisions with options to exercise
10 purchase within three to five years. This would encourage public and private
11 collaboration in the search for the suitable financing mechanism or mechanisms
12 which could benefit the families who can afford to purchase homes given
13 financial assistance for closing costs and down payment. The Legislature
14 wishes to encourage the participation of the private sector working through the
15 authority vested in the Guam Housing Corporation through this Act.

16 Furthermore, *I Liheslaturan Guåhan* recognizes the opportunity for
17 certain lending institutions and lenders of capital to assist families in
18 purchasing or building their first home on their lot or purchasing homes
19 available in the market. *I Liheslaturan Guåhan* also wishes to recognize that
20 the programs contained herein are Community Reinvestment Act qualified and
21 in conformance with various housing programs administered by the Guam
22 Housing Corporation, particularly those which can accommodate the concept
23 of "*lease-to-own*" residential units of various sorts.

24 *I Liheslaturan Guåhan* also encourages the granting of any Guam
25 Economic Development Authority qualifying certificate benefits to the
26 developers involved in the Lada Estates project as well as other similar housing

1 projects. In the case where a government entity is the developer, such benefits
2 may be passed on to the participating contractors provided that such incentive
3 would decrease the overall unit cost of housing in the respective project.

4 **Section 4704. Definitions.** For purposes of this Act, the
5 following words and phrases are defined to mean:

6 (a) *"Affordable housing unit"* shall mean a single family
7 dwelling unit inclusive of land, built in accordance with the Uniform
8 Building Code and in consonance with the Guam zoning and subdivision
9 laws whose selling price meets the criteria set forth in the Guam
10 Economic Development Authority Rules and Regulations pertaining to
11 "affordable housing" adopted pursuant to Public Law 24-266.

12 (b) *"Corporation"* shall mean the Guam Housing Corporation
13 created pursuant to Section 4101 of Title 12 of the Guam Code
14 Annotated.

15 (c) *"Residence"* shall mean a single family home, a
16 condominium housing unit or a housing unit owned by a cooperative
17 housing cooperation.

18 (d) *"Seller"* shall mean the party to the lease-to-own contract
19 who is the seller of the residence.

20 (e) *"Tenant-purchaser"* shall mean the prospective who is a
21 party to the lease-to-own contract.

22 **Section 4705. Lease-to-Own Program; Establishment;**
23 **Authorization to Participate.** The Guam Housing Corporation (the
24 "Corporation") is hereby authorized to participate in lease-to-own programs
25 described in this Act. The purpose of a lease-to-own program is to provide
26 mortgage financing for a residence occupied as a primary residence by a

1 prospective mortgagor pursuant to a lease-to-own contract with the owner of
2 such property. The lease-to-own contract shall provide for the eventual
3 purchase by the resident of the residence and an interim lease of the residence
4 prior to the closing of the purchase thereof.

5 **Section 4706. Authorization to Acquire Mortgage Loans.** The
6 Corporation may contract to acquire and may acquire a mortgage loan or loans
7 made by a bank, or other financial institution, to a seller who has entered a
8 lease-to-own contract with an eligible tenant-purchaser for the property which
9 is the subject of and security for such mortgage loan.

10 **Section 4707. Lease-to-Own Contract.** The Corporation is
11 empowered to purchase or build, as well as incur debt to achieve same,
12 residences which the Corporation would own and lease under the program
13 established herein.

14 (a) The lease-to-own contract shall contain:

15 (1) A lease of the residence, or in the case of cooperative
16 housing units a sublease, for a term not to exceed five (5) years;

17 (2) provision for a rental payment not less than the sum of:

18 (i) an amount sufficient to pay the estimated property
19 taxes and insurance on the residence, or in the case of a
20 cooperative unit, the maintenance charges;

21 (ii) the cost of routine maintenance of the residence
22 unless the lease-to-own contract requires the tenant-purchaser to
23 perform such maintenance at his own expense;

24 (iii) an amount sufficient to pay interest on the mortgage
25 loan held by the Corporation on the residence less the estimated

1 earnings on the escrow fund provided in Section 4708 of this Act
2 which is allocable to such mortgage held by the Corporation;

3 (iv) an amount to be held in escrow, referred to as the
4 "tenant-purchaser escrow," which, when accumulated over the
5 period of the lease-to-own contract or no more than five (5) years,
6 will amount to a sum sufficient to pay the tenant-purchaser's
7 required down payment under the lease-to-own contract plus the
8 estimated closing costs of purchase which will be allocable to the
9 tenant-purchaser, including the seller's closing cost at the initial
10 closing of the mortgage to the seller; *and*

11 (v) in the case of a condominium unit, common charges;

12 (3) provisions obligating the tenant-purchaser to buy and the
13 seller to sell the residence at the end of the lease term, which shall not
14 exceed five (5) years;

15 (i) If tenant purchaser seeks to utilize any HUD grants
16 for down payment and closing cost assistance, then tenant
17 purchaser shall exercise the purchase option on or before three
18 years.

19 (4) a provision that the default by the tenant-purchaser under
20 the provision of the lease-to-own contract shall result in the forfeiture to
21 the seller of all amount in the tenant-purchaser escrow; furthermore, the
22 various escrow funds funded under the program should be residence
23 specific, such that a default or other failure of the tenant to purchase the
24 unit within the five (5) years allowed would result in the escrow being
25 forfeited to the successor tenant-purchaser, *and* not the Corporation;

1 (5) a provision that the tenant-purchaser shall have the option
2 upon reasonable notice to the seller and the Corporation to elect to close
3 the purchase of the residence not earlier than one (1) year from the date
4 of execution of the lease-to-own contract;

5 (6) a provision that the rent shall be adjusted under the lease-to-
6 own contract periodically to take account of changes in taxes, insurance,
7 escrow earning, mortgage interest and other variables intended to be
8 covered by the tenant's rental payments; *and*

9 (7) a provision governing the consequences of default by each
10 of the parties.

11 (b) The provisions of this Act shall not apply to the tenancy of the
12 tenant-purchaser under the lease-to-own contract from and after the purchase
13 by the Corporation of the mortgage loan on the residence so long as the
14 Corporation holds the mortgage loan. The Corporation shall not sell the
15 mortgage loan prior to the closing of the transfer of title to the tenant-purchaser
16 or default by the tenant-purchaser under the lease-to-own contract.

17 (c) The Corporation shall adopt procedures to ensure that the
18 payments contemplated by Subsection 4707 (a)(2) of this Section are in fact
19 applied to those purposes.

20 **Section 4708. Tenant-Purchaser Escrow Account.**

21 (a) The mortgage loan documents, with respect to a mortgage loan(s)
22 in effect prior to the tenant-purchaser's purchase of their respective units, shall
23 provide there shall be retained over the tenant-purchaser's lease term an
24 amount held as additional security for such loan(s) called the Tenant-Purchaser
25 Escrow Account. The Tenant-Purchaser Escrow Account will receive a
26 predetermined portion of the tenant-purchaser's monthly rental amount as

1 provided for in Section 4707(a)(2)(iv) of this Act, such portion to be
2 determined at commencement of the tenant-purchaser's lease. The total
3 amount contributed to the Tenant-Purchaser Escrow Account by the tenant-
4 purchaser over the lease term should not be less than ten percent (10%) of the
5 tenant-purchaser's anticipated purchase price. Such Tenant-Purchaser Escrow
6 Account shall be held by a Trustee for the benefit of the Corporation and the
7 first mortgagee(s). The Corporation will approve such Trustee. At the time of
8 the tenant-purchaser's purchase of the respective unit, the Trustee shall release
9 and disperse the Tenant-Purchaser Escrow Account to the unit Seller to meet
10 the tenant-purchaser's down payment requirement.

11 The escrow amounts pertaining to various lease-to-own loans may be
12 commingled for investment purposes; Trustees shall keep separate records
13 showing the amount in each Tenant-Purchaser Escrow Account. Investment
14 earnings on the Tenant-Purchaser Escrow Account shall accrue to the benefit of
15 the tenant-purchaser.

16 (b) The Trustee shall periodically advise both the Corporation and the
17 Seller as to the amount and earnings in each Tenant-Purchaser Escrow
18 Account.

19 (c) In the event a default by the tenant-purchaser occurs, as provided
20 for Section 4707(a)(5), the Trustee shall release only that portion of the
21 respective Tenant-Purchaser Escrow Account that is needed to meet the
22 following funding requirements:

23 (i) any costs incurred by the Corporation related to deferred
24 maintenance of the tenant-purchaser's respective housing unit;

1 (ii) any costs to the Corporation due to re-advertising,
2 administrative financial fees and other liabilities that may be a result of
3 the tenant-purchaser caused default;

4 (iii) all funds remaining in the unit specific Tenant Purchaser
5 Escrow Account will be retained by the Trustee for the benefit of the
6 next prospective tenant-purchaser to occupy the defaulted unit, as is
7 intended by and provided for in Section 4704(a)(5) of this Act.

8 **Section 4709. Closing of Transfer of Title. (a) Disbursement**
9 **of Escrow Account.** At the closing of the transfer of title to the residence
10 to the tenant-purchaser to the lease-to-own contract, the Corporation shall
11 disburse the escrow amount to or for the account of the tenant-purchaser.

12 **(b) Insurance.** At such closing, the Corporation may require
13 the tenant-purchaser to furnish private mortgage insurance if such insurance is
14 required in the case of other mortgage loans under this title. If such insurance
15 is not obtainable in the private market at the time of such closing, the
16 Corporation is authorized to issue such insurance.

17 **Section 4710. Rules, Regulations and Restrictions.** The
18 Corporation shall establish such requirements with regard to lease-to-own
19 contracts, lease-to-own residence, the qualifications of tenant-purchaser, and
20 the Corporation's participation in any lease-to-own program, as may be deemed
21 appropriate by the Corporation to achieve the objectives of this Act. The
22 Corporation's requirements, including but not limited to income limit
23 applicable to the tenant-purchaser and the purchase price of the residence, must
24 be satisfied at or before the time the mortgage loan is purchased, and the
25 tenant-purchaser must be deemed qualified by the Corporation at that time.

1 **Section 4711. Severability.** *If any provision of this Law or its*
2 *application to any person or circumstance is found to be invalid or contrary to*
3 *law, such invalidity shall not affect other provisions or applications of this Law*
4 *which can be given effect without the invalid provisions or application, and to*
5 *this end the provisions of this Law are severable."*

6 **Section 3. Legislative Statement.** *I Liheslaturan Guåhan finds that Public*
7 *Law Number 20-225 as amended by Public Law Number 24-81 created an affordable*
8 *housing program to be developed by the Guam Housing Corporation (the*
9 *Corporation) on Lot Nos. 10120-14 and 10120-16 in the municipality of Dededo.*
10 *Furthermore, the property has been conveyed to the Corporation and the Corporation*
11 *has issued a request for proposals for development of three hundred ninety-nine (399)*
12 *residential units, and is currently negotiating with qualified offers to design, finance*
13 *and construct the affordable housing units. Also, the Corporation has caused the*
14 *necessary infrastructure to be developed.*

15 More importantly, the Corporation has requested *I Liheslaturan Guåhan* to
16 amend certain provisions of Public Law Number 20-225 in order to facilitate the
17 financing, design and construction of the units in order to render the entire project
18 viable. Moreover, *I Liheslaturan Guåhan* finds that the certain amendments to Public
19 law Number 20-225 are necessary in order to comply with Guam Law and allow the
20 Corporation to fully develop and market the affordable housing units.

21 **Section 4.** *A new Section 5.1 is hereby added to Public Law Number 20-225*
22 *to read as follows:*

23 **"Section 5.1.** In the event that there are insufficient qualified
24 applicants of all classes ready, willing and able to purchase all of the homes
25 and lots upon their completion, the Corporation is authorized to lease unsold
26 homes and lots to qualified purchasers with or without provisions to such

1 leases providing for options or obligations to purchase the homes and lots, and
2 to assign the proceeds of such leases to finance payment of the initial design,
3 finance and construction of the homes. In the event that the Corporation is
4 unable to locate a sufficient number of qualified purchasers to purchase or
5 lease the homes and lot as provided herein, the Corporation is authorized to
6 lease the homes and lots for terms not in excess of one (1) year, which lease
7 shall be renewable annually at the option of the Corporation. The proceeds of
8 the sales of such homes and lots and the leases of such homes and lot may be
9 assigned by the Corporation to the developer chosen by the Corporation to the
10 design, finance and construct the housing units in order to finance payment of
11 the initial design, finance and construction of the homes and infrastructure
12 improvements. As soon as qualified purchasers become available, the homes
13 and lots shall then be sold to such qualified purchasers as provided in this Act.”

14 **Section 5.** Section 6 of Public Law No. 20-225 as amended by Public Law
15 No. 24-81 is hereby further *amended* to read as follows:

16 **"Section 6. Prices.** The unit shall be sold at cost plus two percent
17 (2%), and Three Dollars (\$3.00) per square meter for the house lot, and for a
18 first time owner, no down payment shall be required. Costs shall include, but
19 are not limited to, all costs associated with the design, on-site infrastructure,
20 construction, financing, sale and project management of the development. The
21 two percent (2%) in excess of the costs shall be retained by the Corporation for
22 the payment of expenses it will incur during the construction and monitoring of
23 the project. The proceeds from the sale of the lots shall be retained by the
24 Corporation. The costs of off-site infrastructure and off-site access roads shall
25 be the responsibility of the government of Guam. On-site infrastructure is
26 defined as all infrastructure improvements inside the lots described in Section 2

1 of this Act. The proceeds from the sale of the lots shall be retained by the
2 Corporation. Of these proceeds, Two Hundred Thousand Dollars
3 (\$200,000.00) shall be used to prepare a comprehensive housing study on
4 homeownership for Guam and the balance shall be used for costs associated
5 with future affordable housing projects. The Corporation shall establish a fund
6 for the proceeds of the land sales that is separate from its other accounts and
7 shall report to the Guam Legislature each year on the status of this fund.”

8 **Section 6.** A new Section 7.1 is hereby added to Section 7 of Public Law
9 Number 20-225 as further amended by Public Law 24-81 to read as follows:

10 **“Section 7.1. Equity Interest Recapture.** The difference
11 between the selling price of each unit and the initial appraised value of each
12 unit at the time of the sale is considered equity and shall be available to the
13 purchaser for down payment assistance and closing costs. This equity shall
14 not be used for debt consolidation. Participating banks and financial
15 institutions are encouraged to access this equity for the purposes stated herein.
16 If a homeowner uses any portion of this equity for any purpose listed herein,
17 and he or she decides to sell the home before five (5) years have transpired
18 from the date of original purchase, then he or she shall be obligated to pay to
19 Guam Housing Corporation five percent (5%) interest per year on the amount
20 of equity used. Guam Housing Corporation shall insert a provision in the
21 warranty deed for the property title “Equity Interest Recapture Clause.” The
22 purpose of this provision is to establish a vehicle to recapture five percent (5%)
23 interest per year on the equity used by the homeowners in the event the
24 homeowners decides to resell the property in the first five (5) years. This
25 interest must be paid to the Corporation at the close of escrow. If the

1 homeowner sells the home after five (5) years then the recapture clause shall
2 have expired and the homeowner shall not be required to pay the interest.”

3 **Section 7.** Section 12 of Public Law Number 20-225 is hereby *repealed and*
4 *reenacted* to read as follows:

5 **“Section 12. Zoning.** Upon conveyance of the property
6 described in Section 2 of this Act to the Corporation, such property shall
7 thereupon be zoned as a “Multi-residential (R2).” Any variance required from
8 Subdivision laws of Guam which would allow the Guam Housing Corporation
9 to maximize the marketability of the housing units and lots of the Lada Estate
10 Project is hereby granted so long as the waiving or granting of such variance
11 does not cause or result in danger to the health, safety or livelihood of the
12 residents of Lada and the general public and that such variance would not
13 result in economic loss to the Guam Housing Corporation and the homeowners
14 of Lada Estates.

15 **Section 8.** A new Section 17 is hereby *added* to Public Law Number 20-225
16 to read as follows:

17 **“Section 17. Exemption.** Sales of homes of lots to qualified
18 purchasers pursuant to this Act are hereby exempt from the provisions of
19 Section 60112, Article 1 of Title 21 of the Guam Code Annotated and Section
20 2107, Chapter 2 of Title 2 of the Guam Code Annotated.” For purposes of this
21 Act, the Lada Estates Project shall be exempted from the provisions of Public
22 Law 18-15.”

23 **Section 9. Severability.** *If* any provision of this Law or its application to
24 any person or circumstance is found to be invalid or contrary to law, such invalidity
25 shall *not* affect other provisions or applications of this Law which can be given effect

- 1 without the invalid provisions or application, and to this end the provisions of this
- 2 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. 377

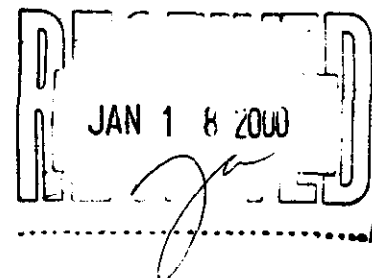
The above bill is referred to your Committee as the Principal Committee. In accordance with Section 6.04.05. of the Standing Rules, your Committee "shall be the Committee to perform the public hearing and have the authority to amend or substitute the bill, as well as report the bill out to the Body." 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: 1-18-00 Time: 4:30 pm Received by: MICHON



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

Bill No. 377 (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 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."

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 *to-Own Housing Program of 2000.*"

4 Section 2. A new Article 7 is hereby *added* to Chapter 4 of Title 12 of the
5 Guam Code Annotated to read as follows:

6 "ARTICLE 7.

7 LEASE-TO-OWN HOUSING PROGRAM.

8 Section 4701. Title.

9 Section 4702. Legislative Findings.

1	Section 4703.	Legislative Policy.
2	Section 4704.	Definitions.
3	Section 4705.	Lease-to-Own Program; Establishment;
4		Authorization to Participate.
5	Section 4706.	Authorization to Acquire Mortgage Loans.
6	Section 4707.	Lease-to-Own Contract.
7	Section 4708.	Tenant-Purchaser Escrow Account.
8	Section 4709.	Closing of Transfer of Title.
9	Section 4710.	Rules, Regulations and Restrictions.
10	Section 4711.	Severability.

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Section 4701. Title. This Article shall be known and shall be cited as *"The Lease-to-Own Housing Program Act of 2000."*

Section 4702. Legislative Findings. *I Liheslaturan Guåhan* finds that in 1997, Guam Housing Corporation announced a bid for the design, building and financing of infrastructure requirements for Lada Estates. As a result, Maeda Pacific Corporation ("Maeda") the selected bidder, was granted a contract to design, build and finance the project. The Guam Housing Corporation and Maeda executed a contract in the amount of \$10 Million to fulfill the project's scope of work.

Furthermore, *I Liheslaturan Guåhan* finds that Maeda agreed to the terms such that payment would be due from a developer who would finance both the outstanding contract with Maeda and the development of the units at Lada Estates. To date, Guam Housing Corporation has entertained several bids but is unable to secure any contract with a developer. Also, *I Liheslaturan*

1 *Guåhan* finds that the infrastructure project was due and payable on or before
2 November 1998.

3 *I Liheslaturan Guåhan* also finds that while there have been several bid
4 announcements, initiated by the Guam Housing Corporation, for the
5 construction of the Lada Estates project which have been advertised in
6 conformance with the procurement laws of Guam. Unfortunately, no bidder
7 has been able to meet the required terms of the contract due to the provisions
8 requiring substantial up front financial reimbursement to Maeda. As a result of
9 this hindrance, Maeda has agreed to renegotiate some of the terms to allow for
10 easier repayment criteria.

11 More importantly, *I Liheslaturan Guåhan* in discussions with the Guam
12 Housing Corporation and the mortgage community, identified the key problems
13 that adversely affected the eligibility of customers and clients to participate in
14 purchasing of the Lada Estates residential project and various single family
15 housing development in Guam. Some of the problems are identified as:

16 (i) most prospective clients have high debt to income ratios
17 five (5) year short term debts; *and*

18 (ii) most prospective clients are unable to meet the required
19 closing cost and down payment for their first-time home; *and*

20 (iii) most prospective first time homebuyers may need the lease-
21 to-own housing program so that they may utilize the lease term to re-
22 establish his or her credit and thus qualify for a typical residential loan at
23 the time of escrow closing of the purchase.

24 **Section 4703. Legislative Policy.** *I Liheslaturan Guåhan* in its
25 continuing effort to promote affordable housing programs for the people finds
26 that for many individuals and families the primary obstacle to homeownership

1 is their inability to save money for the initial cost of buying a home, such as
2 down payment and closing costs. To effectuate additional housing programs, *I*
3 *Liheslaturan Guåhan* in its wisdom wishes to hereby establish a "Lease-to-Own
4 *Housing Program.*" Said program shall afford opportunities for the private
5 and government sector to invest in affordable housing developments
6 particularly those that offer lease to own provisions with options to exercise
7 purchase within three to five years. This would encourage public and private
8 collaboration in the search for the suitable financing mechanism or mechanisms
9 which could benefit the families who can afford to purchase homes given
10 financial assistance for closing costs and down payment. The Legislature
11 wishes to encourage the participation of the private sector working through the
12 authority vested in the Guam Housing Corporation through this Act.

13 Furthermore, *I Liheslaturan Guåhan* recognizes the opportunity for
14 certain lending institutions and lenders of capital to assist families in
15 purchasing or building their first home on their lot or purchasing homes
16 available in the market. *I Liheslaturan Guåhan* also wishes to recognize that
17 the programs contained herein are Community Reinvestment Act qualified and
18 in conformance with various housing programs administered by the Guam
19 Housing Corporation, particularly those which can accommodate the concept
20 of "lease-to-own" residential units of various sorts.

21 *I Liheslaturan Guåhan* also encourages the granting of any Guam
22 Economic Development Authority qualifying certificate benefits to the
23 developers involved in the Lada Estates project as well as other similar housing
24 projects. In the case where a government entity is the developer, such benefits
25 may be passed on to the participating contractors provided that such incentive
26 would decrease the overall unit cost of housing in the respective project.

1 **Section 4704. Definitions.** For purposes of this Act, the
2 following words and phrases are defined to mean:

3 (a) "*Affordable housing unit*" shall mean a single family
4 dwelling unit inclusive of land, built in accordance with the Uniform
5 Building Code and in consonance with the Guam zoning and subdivision
6 laws whose selling price meets the criteria set forth in the Guam
7 Economic Development Authority Rules and Regulations pertaining to
8 "affordable housing" adopted pursuant to Public Law 24-266.

9 (b) "*Corporation*" shall mean the Guam Housing Corporation
10 created pursuant to Section 4101 of Title 12 of the Guam Code
11 Annotated.

12 (c) "*Residence*" shall mean a single family home, a
13 condominium housing unit or a housing unit owned by a cooperative
14 housing cooperation.

15 (d) "*Seller*" shall mean the party to the lease-to-own contract
16 who is the seller of the residence.

17 (e) "*Tenant-purchaser*" shall mean the prospective who is a
18 party to the lease-to-own contract.

19 **Section 4705. Lease-to-Own Program; Establishment;**
20 **Authorization to Participate.** The Guam Housing Corporation (the
21 "Corporation") is hereby authorized to participate in lease-to-own programs
22 described in this Act. The purpose of a lease-to-own program is to provide
23 mortgage financing for a residence occupied as a primary residence by a
24 prospective mortgagor pursuant to a lease-to-own contract with the owner of
25 such property. The lease-to-own contract shall provide for the eventual

1 purchase by the resident of the residence and an interim lease of the residence
2 prior to the closing of the purchase thereof.

3 **Section 4706. Authorization to Acquire Mortgage Loans.** The
4 Corporation may contract to acquire and may acquire a mortgage loan or loans
5 made by a bank, or other financial institution, to a seller who has entered a
6 lease-to-own contract with an eligible tenant-purchaser for the property which
7 is the subject of and security for such mortgage loan.

8 **Section 4707. Lease-to-Own Contract.** The Corporation is
9 empowered to purchase or build, as well as incur debt to achieve same,
10 residences which the Corporation would own and lease under the program
11 established herein.

12 (a) The lease-to-own contract shall contain:

13 (1) A lease of the residence, or in the case of cooperative
14 housing units a sublease, for a term not to exceed five (5) years;

15 (2) provision for a rental payment not less than the sum of:

16 (i) an amount sufficient to pay the estimated property
17 taxes and insurance on the residence, or in the case of a
18 cooperative unit, the maintenance charges;

19 (ii) the cost of routine maintenance of the residence
20 unless the lease-to-own contract requires the tenant-purchaser to
21 perform such maintenance at his own expense;

22 (iii) an amount sufficient to pay interest on the mortgage
23 loan held by the Corporation on the residence less the estimated
24 earnings on the escrow fund provided in Section 4708 of this Act
25 which is allocable to such mortgage held by the Corporation;

1 (iv) an amount to be held in escrow, referred to as the
2 "tenant-purchaser escrow," which, when accumulated over the
3 period of the lease-to-own contract or no more than five (5) years,
4 will amount to a sum sufficient to pay the tenant-purchaser's
5 required down payment under the lease-to-own contract plus the
6 estimated closing costs of purchase which will be allocable to the
7 tenant-purchaser, including the seller's closing cost at the initial
8 closing of the mortgage to the seller; *and*

9 (v) in the case of a condominium unit, common charges;

10 (3) provisions obligating the tenant-purchaser to buy and the
11 seller to sell the residence at the end of the lease term, which shall not
12 exceed five (5) years;

13 (i) If tenant purchaser seeks to utilize any HUD grants
14 for down payment and closing cost assistance, then tenant
15 purchaser shall exercise the purchase option on or before three
16 years.

17 (4) a provision that the default by the tenant-purchaser under
18 the provision of the lease-to-own contract shall result in the forfeiture to
19 the seller of all amount in the tenant-purchaser escrow; furthermore, the
20 various escrow funds funded under the program should be residence
21 specific, such that a default or other failure of the tenant to purchase the
22 unit within the five (5) years allowed would result in the escrow being
23 forfeited to the successor tenant-purchaser, *and* not the Corporation;

24 (5) a provision that the tenant-purchaser shall have the option
25 upon reasonable notice to the seller and the Corporation to elect to close

1 the purchase of the residence not earlier than one (1) year from the date
2 of execution of the lease-to-own contract;

3 (6) a provision that the rent shall be adjusted under the lease-to-
4 own contract periodically to take account of changes in taxes, insurance,
5 escrow earning, mortgage interest and other variables intended to be
6 covered by the tenant's rental payments; *and*

7 (7) a provision governing the consequences of default by each
8 of the parties.

9 (b) The provisions of this Act shall not apply to the tenancy of the
10 tenant-purchaser under the lease-to-own contract from and after the purchase
11 by the Corporation of the mortgage loan on the residence so long as the
12 Corporation holds the mortgage loan. The Corporation shall not sell the
13 mortgage loan prior to the closing of the transfer of title to the tenant-purchaser
14 or default by the tenant-purchaser under the lease-to-own contract.

15 (c) The Corporation shall adopt procedures to ensure that the
16 payments contemplated by Subsection 4707 (a)(2) of this Section are in fact
17 applied to those purposes.

18 **Section 4708. Tenant-Purchaser Escrow Account.** (a) The
19 mortgage loan documents with respect to a mortgage loan acquired by the
20 Corporation pursuant to this Act shall provide that there shall be retained as
21 additional security for the mortgage loan an amount not less than ten percent
22 (10%) of the purchase price stated in the lease-to-own contract. The amount
23 retained shall be disbursed in cash at the mortgage closing to an escrow fund
24 held by the owner of the mortgage. When the Corporation becomes the owner
25 of the mortgage loan, the Corporation shall receive the escrow amount to be
26 held by the Corporation in securities in which the Corporation is authorized to

1 invest its own funds. All banks and trusts companies are authorized to give
2 such security for deposits by the Corporation of escrowed funds as determined
3 by the Corporation. The escrow amounts pertaining to various lease-to-own
4 mortgage loans may be commingled for investment purposes, but the
5 Corporation shall keep books of account showing the amount to the credit of
6 each individual escrow account. The investment earning on each individual
7 escrow account shall be credited to the interest payment on the applicable
8 mortgage loan.

9 (b) The Corporation shall advise the seller at periodic convenient
10 intervals of the amount of such escrow earnings with respect to each mortgage
11 loan.

12 (c) In the event escrow default occurs, the allocation of escrow funds
13 shall be as follows:

14 (i) The corporation shall allocate adequate sums of the escrow
15 funds to fully restore the respective housing unit to its original form prior
16 to habitation;

17 (ii) The corporation shall pay for re-advertising, administrative,
18 financial services and other severance fees or liabilities caused by the
19 tenant's failure to exercise purchase option on the facility.

20 (iii) Funds remaining in the escrow account after the conditions
21 of items (i) and (ii) of this subsection are fully met or satisfied.

22 **Section 4709. Closing of Transfer of Title. (a) Disbursement**
23 **of Escrow Account.** At the closing of the transfer of title to the residence
24 to the tenant-purchaser to the lease-to-own contract, the Corporation shall
25 disburse the escrow amount to or for the account of the tenant-purchaser.

1 **(b) Insurance.** At such closing, the Corporation may require
2 the tenant-purchaser to furnish private mortgage insurance if such insurance is
3 required in the case of other mortgage loans under this title. If such insurance
4 is not obtainable in the private market at the time of such closing, the
5 Corporation is authorized to issue such insurance.

6 **Section 4710. Rules, Regulations and Restrictions.** The
7 Corporation shall establish such requirements with regard to lease-to-own
8 contracts, lease-to-own residence, the qualifications of tenant-purchaser, and
9 the Corporation's participation in any lease-to-own program, as may be deemed
10 appropriate by the Corporation to achieve the objectives of this Act. The
11 Corporation's requirements, including but not limited to income limit
12 applicable to the tenant-purchaser and the purchase price of the residence, must
13 be satisfied at or before the time the mortgage loan is purchased, and the
14 tenant-purchaser must be deemed qualified by the Corporation at that time.

15 **Section 4711. Severability.** *If any provision of this Law or its*
16 *application to any person or circumstance is found to be invalid or contrary to*
17 *law, such invalidity shall not affect other provisions or applications of this Law*
18 *which can be given effect without the invalid provisions or application, and to*
19 *this end the provisions of this Law are severable."*

20 **Section 3. Legislative Statement.** *I Liheslaturan Guåhan finds that Public*
21 *Law Number 20-225 as amended by Public Law Number 24-81 created an affordable*
22 *housing program to be developed by the Guam Housing Corporation (the*
23 *Corporation) on Lot Nos. 10120-14 and 10120-16 in the municipality of Dededo.*
24 *Furthermore, the property has been conveyed to the Corporation and the Corporation*
25 *has issued a request for proposals for development of three hundred ninety-nine (399)*
26 *residential units, and is currently negotiating with qualified offers to design, finance*

1 and construct the affordable housing units. Also, the Corporation has caused the
2 necessary infrastructure to be developed.

3 More importantly, the Corporation has requested *I Liheslaturan Guåhan* to
4 amend certain provisions of Public Law Number 20-225 in order to facilitate the
5 financing, design and construction of the units in order to render the entire project
6 viable. Moreover, *I Liheslaturan Guåhan* finds that the certain amendments to Public
7 law Number 20-225 are necessary in order to comply with Guam Law and allow the
8 Corporation to fully develop and market the affordable housing units.

9 **Section 4.** A new Section 5.1 is hereby added to Public Law Number 20-225
10 to read as follows:

11 **“Section 5.1.** In the event that there are insufficient qualified
12 applicants of all classes ready, willing and able to purchase all of the homes
13 and lots upon their completion, the Corporation is authorized to lease unsold
14 homes and lots to qualified purchasers with or without provisions to such
15 leases providing for options or obligations to purchase the homes and lots, and
16 to assign the proceeds of such leases to finance payment of the initial design,
17 finance and construction of the homes. In the event that the Corporation is
18 unable to locate a sufficient number of qualified purchasers to purchase or
19 lease the homes and lot as provided herein, the Corporation is authorized to
20 lease the homes and lots for terms not in excess of one (1) year, which lease
21 shall be renewable annually at the option of the Corporation. The proceeds of
22 the sales of such homes and lots and the leases of such homes and lot may be
23 assigned by the Corporation to the developer chosen by the Corporation to the
24 design, finance and construct the housing units in order to finance payment of
25 the initial design, finance and construction of the homes and infrastructure

1 improvements. As soon as qualified purchasers become available, the homes
2 and lots shall then be sold to such qualified purchasers as provided in this Act.”

3 **Section 5.** Section 6 of Public Law No. 20-225 as amended by Public Law
4 No. 24-81 is hereby further *amended* to read as follows:

5 **"Section 6. Prices.** The unit shall be sold at cost plus two percent
6 (2%), and Three Dollars (\$3.00) per square meter for the house lot, and for a
7 first time owner, no down payment shall be required. Costs shall include, but
8 are not limited to, all costs associated with the design, on-site infrastructure,
9 construction, financing, sale and project management of the development. The
10 two percent (2%) in excess of the costs shall be retained by the Corporation for
11 the payment of expenses it will incur during the construction and monitoring of
12 the project. The proceeds from the sale of the lots shall be retained by the
13 Corporation. The costs of off-site infrastructure and off-site access roads shall
14 be the responsibility of the government of Guam. On-site infrastructure is
15 defined as all infrastructure improvements inside the lots described in Section 2
16 of this Act. The proceeds from the sale of the lots shall be retained by the
17 Corporation. Of these proceeds, Two Hundred Thousand Dollars
18 (\$200,000.00) shall be used to prepare a comprehensive housing study on
19 homeownership for Guam and the balance shall be used for costs associated
20 with future affordable housing projects. The Corporation shall establish a fund
21 for the proceeds of the land sales that is separate from its other accounts and
22 shall report to the Guam Legislature each year on the status of this fund.”

23 **Section 6.** A *new* Section 7.1 is hereby added to Section 7 of Public Law
24 Number 20-225 as further amended by Public Law 24-81 to read as follows:

25 **“Section 7.1. Equity Interest Recapture.** The difference
26 between the selling price of each unit and the initial appraised value of each

1 unit at the time of the sale is considered equity and shall be available to the
2 purchaser for down payment assistance and closing costs. This equity shall
3 not be used for debt consolidation. Participating banks and financial
4 institutions are encouraged to access this equity for the purposes stated herein.
5 If a homeowner uses any portion of this equity for any purpose listed herein,
6 and he or she decides to sell the home before five (5) years have transpired
7 from the date of original purchase, then he or she shall be obligated to pay to
8 Guam Housing Corporation five percent (5%) interest per year on the amount
9 of equity used. Guam Housing Corporation shall insert a provision in the
10 warranty deed for the property title "Equity Interest Recapture Clause." The
11 purpose of this provision is to establish a vehicle to recapture five percent (5%)
12 interest per year on the equity used by the homeowners in the event the
13 homeowners decides to resell the property in the first five (5) years. This
14 interest must be paid to the Corporation at the close of escrow. If the
15 homeowner sells the home after five (5) years then the recapture clause shall
16 have expired and the homeowner shall not be required to pay the interest."

17 **Section 7.** Section 12 of Public Law Number 20-225 is hereby *repealed and*
18 *reenacted* to read as follows:

19 **"Section 12. Zoning.** Upon conveyance of the property
20 described in Section 2 of this Act to the Corporation, such property shall
21 thereupon be zoned as a "Multi-residential (R2)." Any variance required from
22 Subdivision laws of Guam which would allow the Guam Housing Corporation
23 to maximize the marketability of the housing units and lots of the Lada Estate
24 Project is hereby granted so long as the waiving or granting of such variance
25 does not cause or result in danger to the health, safety or livelihood of the
26 residents of Lada and the general public and that such variance would not

1 result in economic loss to the Guam Housing Corporation and the homeowners
2 of Lada Estates.

3 **Section 8.** A new Section 17 is hereby *added* to Public Law Number 20-225
4 to read as follows:

5 **“Section 17. Exemption.** Sales of homes of lots to qualified
6 purchasers pursuant to this Act are hereby exempt from the provisions of
7 Section 60112, Article 1 of Title 21 of the Guam Code Annotated and Section
8 2107, Chapter 2 of Title 2 of the Guam Code Annotated.” For purposes of this
9 Act, the Lada Estates Project shall be exempted from the provisions of Public
10 Law 18-15.”

11 **Section 9. Severability.** *If any provision of this Law or its application to*
12 *any person or circumstance is found to be invalid or contrary to law, such invalidity*
13 *shall not affect other provisions or applications of this Law which can be given effect*
14 *without the invalid provisions or application, and to this end the provisions of this*
15 *Law are severable.*

Testimony on Bill 377
By James G. Sablan

Hafa Adai Senator Moylan and members of the Committee, my name is James G. Sablan President of Guam Housing Corporation.

I would like to thank you for giving us the opportunity to submit testimony on Bill 377, "an act to develop a Lease to Own program for First Time Homeowners".

Eight (8) members of the 25th Guam Legislature sponsored Bill 377. They are to be commended for their proactive approach to try to bring the Lada Estate Affordable Housing project to fruition. We thank you for making this issue a priority.

When Guam Housing first learned of Bill 377 and its components, we began to research for similar programs nationwide in order to better understand its effectiveness, weaknesses and strengths.

In support of this bill, we wanted to report to this Body the advantages of the Lease to Own Program and provide statistics of the number of families that have been assisted to finance their dream home. We wanted to share proven success stories and perhaps learn from the success of others.

We wanted to address and identify the funding source that would be used to fund this program. Several housing programs identify Government of Guam as a funding source but due to financial constraints the program/s remain stagnant. We do not want this scenario to happen again with bill 377.

We wanted input from U.S. Department of HUD and the Federal Home Loan Mortgage Corporation known as Freddie Mac. Their advice regarding similar programs would make our comparison more equitable and creditable. This will help us establish rules and regulations to enable the program to develop effectively and expeditiously since it would be based on existing and workable programs in a government scenario.

Most importantly, we wanted to adequately inform the Committee of the cost for Guam Housing Corporation to implement and maintain such a program. As you are aware, GHC has implemented numerous housing programs as mandated by law without just compensation of services.

In summary, the concept of Bill 377 is good but further study must be done to ensure its successful implementation. We want the Lease to Own Program to be a win-win solution for all stakeholders. We want it to address the needs of our people and our island, to benefit both borrowers and lenders as well as Guam Housing Corporation.

Thank you and si Yu'os ma'ase.



PUBLIC FINANCE ASSOCIATES, INC.



January 25, 2000

Senator Kaleo Moylan, Chairman
Committee on Housing
24 Guam Legislature
Agana, Guam 96910

Hafa Adai Senator Moylan:

I understand that the Guam Legislature is considering adoption of legislation which would authorize the creation of a rent-to-own housing program on Guam. Public Finance Associates is intimately familiar with such first time home ownership programs. We have been involved with the successful launching of several here in Florida, as well as advising on others in California. This type of program provides an excellent opportunity for low to moderate income families to participate in the American dream of home ownership.

As you are well aware, many potential first time home owners just need a little assistance in clearing the hurdles of qualifying for home mortgage funds. Assistance with building a down payment and with establishing a good credit history are often the keys which open up the home ownership market to many otherwise credit worthy families. The rent-to-own program accomplishes these goals in a very effective manner, without requiring the Government to expend any of its limited resources.

The responsibility to succeed properly remains with the home buyer, but the creative financing methods employed with a rent-to-own program provide the opportunity to succeed which might not otherwise exist. Only through the involvement of GovGuam could the rent-to-own program be available. I would encourage support of the program by approving the proposed legislation.

Sincerely,

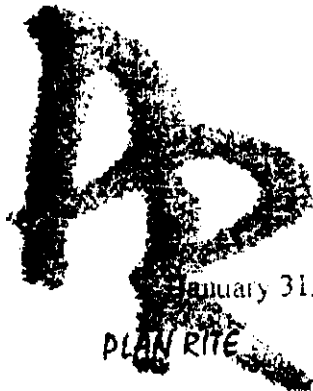
A handwritten signature in black ink, appearing to read 'Philip C. Bennett', is written over a horizontal line.

Philip C. Bennett
President

Office Address: 3949 Evans Avenue, Suite 402, Fort Myers, Florida 33901 • (941) 277-3950 Fax (941) 277-0078

Mailing Address: P.O. Box 60674, Fort Myers, Florida 33906-6674

E-mail Address: bennett@cyberstreet.com Web Site: www.publicfinance.net



January 31, 2000

The Honorable Kaleo Moylan
Chairman, Committee on Housing
Twenty-Fifth Guam Legislature
155 Hessler Street
Hagatna, Guam 96910

Subject: Bill 377


Hafa Adai Senator Moylan:


Thank you for the opportunity to provide oral testimony on the above bill at last week's public hearing. As I had indicated then, I believe the bill will pave the way for increased opportunities in housing affordability for our residents, a predominant problem on our island today.

In addition to my oral testimony, I would like to request inclusion of a rewrite of Section 4708 of the bill as written in the attached draft. I believe the rewrite will more clearly outline the intent and purpose of the legislation as well as provide a less complicated version of the section. This section deals primarily with the handling of tenant escrow funds, an issue I am sure requires the attention of the homebuyer and the lessor.

Thank you for the opportunity to submit this request and I look forward to seeing this bill to fruition.

Sincerely,


Joe Morcilla
President

<p style="text-align: center;"> GUAM LEGISLATURE OFFICE OF SENATOR KALEO S. MOYLAN ACKNOWLEDGEMENT RECEIPT Date: <u>2/1/2000</u> Time: <u>09:12 a.m.</u> Received by: <u></u> </p>

PLAN RITE

Ada Plaza Center, Suite 103A • Hagatna, Guam 96910
(671) 472-4837 • Fax: (671) 472-4836 • Email: jpmorcilla@aol.com

LAND PLANNING/ZONING • DEVELOPMENT STRATEGIES • PROJECT MANAGEMENT • MARKET FEASIBILITY STUDIES • MASTER PLANNING/DESIGN

DRAFT

4708 - Tenant Purchaser Escrow Account

(a) The mortgage loan documents, with respect to the mortgage loan(s) in effect prior to the tenant-purchaser's purchase of their respective units, shall provide that there shall be retained over the tenant-purchaser's lease term an amount held as additional security for such loan(s) called the Tenant Purchaser Escrow Account. The Tenant Purchaser Escrow Account will receive a predetermined portion of the tenant-purchaser's monthly rental amount (see section 4707(a)(2)(iv)), such portion to be determined at commencement of the tenant-purchaser's lease. The total amount contributed to the Tenant Purchaser Escrow Account by the tenant-purchaser over the lease term should be not less than 10% of the tenant-purchaser's anticipated purchase price. Such Tenant Purchaser Escrow Account will be held by a Trustee for the benefit of the Corporation and the first mortgagee(s). The Corporation will approve such Trustee. At the time of the tenant-purchaser's purchase of the respective unit, the Trustee shall release and disperse the Tenant Purchase Escrow Account to the unit Seller to meet the tenant-purchaser's down payment requirement.

The escrow amounts pertaining to various lease-to-own loans may be commingled for investment purposes; Trustee shall keep separate records showing the amount in each Tenant Purchaser Escrow Account. Investment earnings on the Tenant Purchaser Escrow Account shall accrue to the benefit of the tenant-purchaser.

(b) The Trustee shall periodically advise both the Corporation and the Seller as to the amount and earnings in each Tenant Purchaser Escrow Account.

(c) In the event a default by the tenant-purchaser occurs, as described in section 4707 (a) (5), the Trustee shall release only that portion of the respective Tenant Purchaser Escrow Account that is needed to meet the following funding requirements:

- (i) any costs incurred by the Corporation related to deferred maintenance of the tenant-purchaser's respective housing unit;
- (ii) any costs to the Corporation due to re-advertising, administrative, financial fees and other liabilities that may be a result of the tenant-purchaser caused default;
- (iii) all funds remaining in the unit specific Tenant Purchaser Escrow Account will be retained by the Trustee for the benefit of the next prospective tenant-purchaser to occupy the defaulted unit, as is intended by and stated in section 4707(a)(5).

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

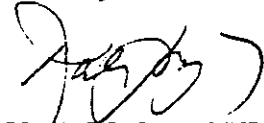
Re: Committee Public Hearing

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.

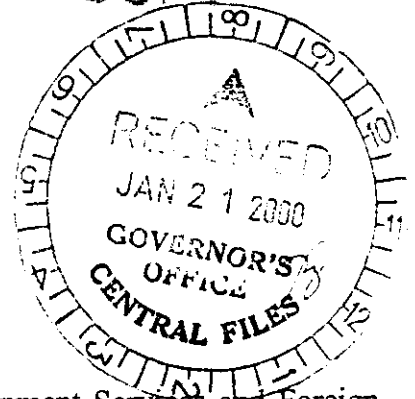
Thank you,



KALEO S. MOYLAN

Enclosure

OFFICE COPY



MINA'BENTE SINGKO NA LIHESLATURAN 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.

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

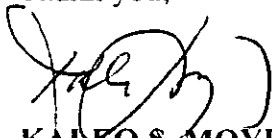
Re: *Committee Public Hearing*

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

GUAM HOUSING CORP

cc: Chairman, Board of Directors

JAN 21 2000

REC'D:

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina'Bente Singko Na Liheslaturan Guahan
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 2:23 PM
J. J. [Signature]

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

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

January 20, 1999

OFFICE COPY

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

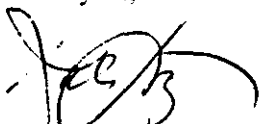
Re: Committee Public Hearing

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 472-334

Mina'Bente Singko Na Liheslaturan Guåhan

25th Guam Legislature

Committee on Housing, General Government Services an Foreign Affairs

Witness Sign in Sheet

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."

Name	Representing	Testimony (written/oral)
<i>John Anthony</i>	<i>Guam Housing Corp</i>	<i>Oral</i>
<i>Dave Silva</i>	<i>GEDA</i>	<i>NONE</i>
<i>Tom Nielsen</i>	<i>MAEDA PAC. CORP</i>	<i>oral</i>
<i>Joe Marcilla</i>	<i>Plan Rite</i>	<i>oral</i>



**MINA BENTE SINGKO
NA LIHESLATURAN GUAHAN**

**Senator Kaleo S. Moylan, Chairman
Committee on Housing, General Government
Services and Foreign Affairs**

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

Confirmation of Executive Appointments:

Mae M. Mafnas to serve as a member of the Cockpit License Board.

**Celso S. Giachumid, Leo S. Edusada and Rodolfo V. Colet to serve as members of
the Alcoholic Beverage Control Board.**

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

A G E N D A

Bill No. 377 (COR): AN ACT TO ADD A NEW ARTICLE 7 TO CHAPTER 4 OF THE 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."

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

JAN 10 2000

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

Bill No. 377 (COR)

Introduced by:

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

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."

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 *to-Own Housing Program of 2000.*"

4 Section 2. A new Article 7 is hereby *added* to Chapter 4 of Title 12 of the
5 Guam Code Annotated to read as follows:

6 "ARTICLE 7.

7 LEASE-TO-OWN HOUSING PROGRAM.

8 Section 4701. Title.

9 Section 4702. Legislative Findings.

1	Section 4703.	Legislative Policy.
2	Section 4704.	Definitions.
3	Section 4705.	Lease-to-Own Program; Establishment;
4		Authorization to Participate.
5	Section 4706.	Authorization to Acquire Mortgage Loans.
6	Section 4707.	Lease-to-Own Contract.
7	Section 4708.	Tenant-Purchaser Escrow Account.
8	Section 4709.	Closing of Transfer of Title.
9	Section 4710.	Rules, Regulations and Restrictions.
10	Section 4711.	Severability.

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Section 4701. Title. This Article shall be known and shall be cited as "*The Lease-to-Own Housing Program Act of 2000.*"

Section 4702. Legislative Findings. *I Liheslaturan Guåhan* finds that in 1997, Guam Housing Corporation announced a bid for the design, building and financing of infrastructure requirements for Lada Estates. As a result, Maeda Pacific Corporation ("Maeda") the selected bidder, was granted a contract to design, build and finance the project. The Guam Housing Corporation and Maeda executed a contract in the amount of \$10 Million to fulfill the project's scope of work.

Furthermore, *I Liheslaturan Guåhan* finds that Maeda agreed to the terms such that payment would be due from a developer who would finance both the outstanding contract with Maeda and the development of the units at Lada Estates. To date, Guam Housing Corporation has entertained several bids but is unable to secure any contract with a developer. Also, *I Liheslaturan*

1 *Guåhan* finds that the infrastructure project was due and payable on or before
2 November 1998.

3 *I Liheslaturan Guåhan* also finds that while there have been several bid
4 announcements, initiated by the Guam Housing Corporation, for the
5 construction of the Lada Estates project which have been advertised in
6 conformance with the procurement laws of Guam. Unfortunately, no bidder
7 has been able to meet the required terms of the contract due to the provisions
8 requiring substantial up front financial reimbursement to Maeda. As a result of
9 this hindrance, Maeda has agreed to renegotiate some of the terms to allow for
10 easier repayment criteria.

11 More importantly, *I Liheslaturan Guåhan* in discussions with the Guam
12 Housing Corporation and the mortgage community, identified the key problems
13 that adversely affected the eligibility of customers and clients to participate in
14 purchasing of the Lada Estates residential project and various single family
15 housing development in Guam. Some of the problems are identified as:

16 (i) most prospective clients have high debt to income ratios
17 five (5) year short term debts; *and*

18 (ii) most prospective clients are unable to meet the required
19 closing cost and down payment for their first-time home; *and*

20 (iii) most prospective first time homebuyers may need the lease-
21 to-own housing program so that they may utilize the lease term to re-
22 establish his or her credit and thus qualify for a typical residential loan at
23 the time of escrow closing of the purchase.

24 **Section 4703. Legislative Policy.** *I Liheslaturan Guåhan* in its
25 continuing effort to promote affordable housing programs for the people finds
26 that for many individuals and families the primary obstacle to homeownership

1 is their inability to save money for the initial cost of buying a home, such as
2 down payment and closing costs. To effectuate additional housing programs, *I*
3 *Liheslaturan Guåhan* in its wisdom wishes to hereby establish a "*Lease-to-Own*
4 *Housing Program*." Said program shall afford opportunities for the private
5 and government sector to invest in affordable housing developments
6 particularly those that offer lease to own provisions with options to exercise
7 purchase within three to five years. This would encourage public and private
8 collaboration in the search for the suitable financing mechanism or mechanisms
9 which could benefit the families who can afford to purchase homes given
10 financial assistance for closing costs and down payment. The Legislature
11 wishes to encourage the participation of the private sector working through the
12 authority vested in the Guam Housing Corporation through this Act.

13 Furthermore, *I Liheslaturan Guåhan* recognizes the opportunity for
14 certain lending institutions and lenders of capital to assist families in
15 purchasing or building their first home on their lot or purchasing homes
16 available in the market. *I Liheslaturan Guåhan* also wishes to recognize that
17 the programs contained herein are Community Reinvestment Act qualified and
18 in conformance with various housing programs administered by the Guam
19 Housing Corporation, particularly those which can accommodate the concept
20 of "*lease-to-own*" residential units of various sorts.

21 *I Liheslaturan Guåhan* also encourages the granting of any Guam
22 Economic Development Authority qualifying certificate benefits to the
23 developers involved in the Lada Estates project as well as other similar housing
24 projects. In the case where a government entity is the developer, such benefits
25 may be passed on to the participating contractors provided that such incentive
26 would decrease the overall unit cost of housing in the respective project.

1 **Section 4704. Definitions.** For purposes of this Act, the
2 following words and phrases are defined to mean:

3 (a) "*Affordable housing unit*" shall mean a single family
4 dwelling unit inclusive of land, built in accordance with the Uniform
5 Building Code and in consonance with the Guam zoning and subdivision
6 laws whose selling price meets the criteria set forth in the Guam
7 Economic Development Authority Rules and Regulations pertaining to
8 "affordable housing" adopted pursuant to Public Law 24-266.

9 (b) "*Corporation*" shall mean the Guam Housing Corporation
10 created pursuant to Section 4101 of Title 12 of the Guam Code
11 Annotated.

12 (c) "*Residence*" shall mean a single family home, a
13 condominium housing unit or a housing unit owned by a cooperative
14 housing cooperation.

15 (d) "*Seller*" shall mean the party to the lease-to-own contract
16 who is the seller of the residence.

17 (e) "*Tenant-purchaser*" shall mean the prospective who is a
18 party to the lease-to-own contract.

19 **Section 4705. Lease-to-Own Program; Establishment;**
20 **Authorization to Participate.** The Guam Housing Corporation (the
21 "Corporation") is hereby authorized to participate in lease-to-own programs
22 described in this Act. The purpose of a lease-to-own program is to provide
23 mortgage financing for a residence occupied as a primary residence by a
24 prospective mortgagor pursuant to a lease-to-own contract with the owner of
25 such property. The lease-to-own contract shall provide for the eventual

1 purchase by the resident of the residence and an interim lease of the residence
2 prior to the closing of the purchase thereof.

3 **Section 4706. Authorization to Acquire Mortgage Loans.** The
4 Corporation may contract to acquire and may acquire a mortgage loan or loans
5 made by a bank, or other financial institution, to a seller who has entered a
6 lease-to-own contract with an eligible tenant-purchaser for the property which
7 is the subject of and security for such mortgage loan.

8 **Section 4707. Lease-to-Own Contract.** The Corporation is
9 empowered to purchase or build, as well as incur debt to achieve same,
10 residences which the Corporation would own and lease under the program
11 established herein.

12 (a) The lease-to-own contract shall contain:

13 (1) A lease of the residence, or in the case of cooperative
14 housing units a sublease, for a term not to exceed five (5) years;

15 (2) provision for a rental payment not less than the sum of:

16 (i) an amount sufficient to pay the estimated property
17 taxes and insurance on the residence, or in the case of a
18 cooperative unit, the maintenance charges;

19 (ii) the cost of routine maintenance of the residence
20 unless the lease-to-own contract requires the tenant-purchaser to
21 perform such maintenance at his own expense;

22 (iii) an amount sufficient to pay interest on the mortgage
23 loan held by the Corporation on the residence less the estimated
24 earnings on the escrow fund provided in Section 4708 of this Act
25 which is allocable to such mortgage held by the Corporation;

1 (iv) an amount to be held in escrow, referred to as the
2 "tenant-purchaser escrow," which, when accumulated over the
3 period of the lease-to-own contract or no more than five (5) years,
4 will amount to a sum sufficient to pay the tenant-purchaser's
5 required down payment under the lease-to-own contract plus the
6 estimated closing costs of purchase which will be allocable to the
7 tenant-purchaser, including the seller's closing cost at the initial
8 closing of the mortgage to the seller; *and*

9 (v) in the case of a condominium unit, common charges;

10 (3) provisions obligating the tenant-purchaser to buy and the
11 seller to sell the residence at the end of the lease term, which shall not
12 exceed five (5) years;

13 (i) If tenant purchaser seeks to utilize any HUD grants
14 for down payment and closing cost assistance, then tenant
15 purchaser shall exercise the purchase option on or before three
16 years.

17 (4) a provision that the default by the tenant-purchaser under
18 the provision of the lease-to-own contract shall result in the forfeiture to
19 the seller of all amount in the tenant-purchaser escrow; furthermore, the
20 various escrow funds funded under the program should be residence
21 specific, such that a default or other failure of the tenant to purchase the
22 unit within the five (5) years allowed would result in the escrow being
23 forfeited to the successor tenant-purchaser, *and not the Corporation*;

24 (5) a provision that the tenant-purchaser shall have the option
25 upon reasonable notice to the seller and the Corporation to elect to close

1 the purchase of the residence not earlier than one (1) year from the date
2 of execution of the lease-to-own contract;

3 (6) a provision that the rent shall be adjusted under the lease-to-
4 own contract periodically to take account of changes in taxes, insurance,
5 escrow earning, mortgage interest and other variables intended to be
6 covered by the tenant's rental payments; *and*

7 (7) a provision governing the consequences of default by each
8 of the parties.

9 (b) The provisions of this Act shall not apply to the tenancy of the
10 tenant-purchaser under the lease-to-own contract from and after the purchase
11 by the Corporation of the mortgage loan on the residence so long as the
12 Corporation holds the mortgage loan. The Corporation shall not sell the
13 mortgage loan prior to the closing of the transfer of title to the tenant-purchaser
14 or default by the tenant-purchaser under the lease-to-own contract.

15 (c) The Corporation shall adopt procedures to ensure that the
16 payments contemplated by Subsection 4707 (a)(2) of this Section are in fact
17 applied to those purposes.

18 **Section 4708. Tenant-Purchaser Escrow Account.** (a) The
19 mortgage loan documents with respect to a mortgage loan acquired by the
20 Corporation pursuant to this Act shall provide that there shall be retained as
21 additional security for the mortgage loan an amount not less than ten percent
22 (10%) of the purchase price stated in the lease-to-own contract. The amount
23 retained shall be disbursed in cash at the mortgage closing to an escrow fund
24 held by the owner of the mortgage. When the Corporation becomes the owner
25 of the mortgage loan, the Corporation shall receive the escrow amount to be
26 held by the Corporation in securities in which the Corporation is authorized to

1 invest its own funds. All banks and trusts companies are authorized to give
2 such security for deposits by the Corporation of escrowed funds as determined
3 by the Corporation. The escrow amounts pertaining to various lease-to-own
4 mortgage loans may be commingled for investment purposes, but the
5 Corporation shall keep books of account showing the amount to the credit of
6 each individual escrow account. The investment earning on each individual
7 escrow account shall be credited to the interest payment on the applicable
8 mortgage loan.

9 (b) The Corporation shall advise the seller at periodic convenient
10 intervals of the amount of such escrow earnings with respect to each mortgage
11 loan.

12 (c) In the event escrow default occurs, the allocation of escrow funds
13 shall be as follows:

14 (i) The corporation shall allocate adequate sums of the escrow
15 funds to fully restore the respective housing unit to its original form prior
16 to habitation;

17 (ii) The corporation shall pay for re-advertising, administrative,
18 financial services and other severance fees or liabilities caused by the
19 tenant's failure to exercise purchase option on the facility.

20 (iii) Funds remaining in the escrow account after the conditions
21 of items (i) and (ii) of this subsection are fully met or satisfied.

22 **Section 4709. Closing of Transfer of Title. (a) Disbursement**
23 **of Escrow Account.** At the closing of the transfer of title to the residence
24 to the tenant-purchaser to the lease-to-own contract, the Corporation shall
25 disburse the escrow amount to or for the account of the tenant-purchaser.

1 **(b) Insurance.** At such closing, the Corporation may require
2 the tenant-purchaser to furnish private mortgage insurance if such insurance is
3 required in the case of other mortgage loans under this title. If such insurance
4 is not obtainable in the private market at the time of such closing, the
5 Corporation is authorized to issue such insurance.

6 **Section 4710. Rules, Regulations and Restrictions.** The
7 Corporation shall establish such requirements with regard to lease-to-own
8 contracts, lease-to-own residence, the qualifications of tenant-purchaser, and
9 the Corporation's participation in any lease-to-own program, as may be deemed
10 appropriate by the Corporation to achieve the objectives of this Act. The
11 Corporation's requirements, including but not limited to income limit
12 applicable to the tenant-purchaser and the purchase price of the residence, must
13 be satisfied at or before the time the mortgage loan is purchased, and the
14 tenant-purchaser must be deemed qualified by the Corporation at that time.

15 **Section 4711. Severability.** *If any provision of this Law or its*
16 application to any person or circumstance is found to be invalid or contrary to
17 law, such invalidity shall *not* affect other provisions or applications of this Law
18 which can be given effect without the invalid provisions or application, and to
19 this end the provisions of this Law are severable."

20 **Section 3. Legislative Statement.** *I Liheslaturan Guåhan* finds that Public
21 Law Number 20-225 as amended by Public Law Number 24-81 created an affordable
22 housing program to be developed by the Guam Housing Corporation (the
23 Corporation) on Lot Nos. 10120-14 and 10120-16 in the municipality of Dededo.
24 Furthermore, the property has been conveyed to the Corporation and the Corporation
25 has issued a request for proposals for development of three hundred ninety-nine (399)
26 residential units, and is currently negotiating with qualified offers to design, finance

1 and construct the affordable housing units. Also, the Corporation has caused the
2 necessary infrastructure to be developed.

3 More importantly, the Corporation has requested *I Liheslaturan Guåhan* to
4 amend certain provisions of Public Law Number 20-225 in order to facilitate the
5 financing, design and construction of the units in order to render the entire project
6 viable. Moreover, *I Liheslaturan Guåhan* finds that the certain amendments to Public
7 law Number 20-225 are necessary in order to comply with Guam Law and allow the
8 Corporation to fully develop and market the affordable housing units.

9 **Section 4.** A new Section 5.1 is hereby added to Public Law Number 20-225
10 to read as follows:

11 **“Section 5.1.** In the event that there are insufficient qualified
12 applicants of all classes ready, willing and able to purchase all of the homes
13 and lots upon their completion, the Corporation is authorized to lease unsold
14 homes and lots to qualified purchasers with or without provisions to such
15 leases providing for options or obligations to purchase the homes and lots, and
16 to assign the proceeds of such leases to finance payment of the initial design,
17 finance and construction of the homes. In the event that the Corporation is
18 unable to locate a sufficient number of qualified purchasers to purchase or
19 lease the homes and lot as provided herein, the Corporation is authorized to
20 lease the homes and lots for terms not in excess of one (1) year, which lease
21 shall be renewable annually at the option of the Corporation. The proceeds of
22 the sales of such homes and lots and the leases of such homes and lot may be
23 assigned by the Corporation to the developer chosen by the Corporation to the
24 design, finance and construct the housing units in order to finance payment of
25 the initial design, finance and construction of the homes and infrastructure

1 improvements. As soon as qualified purchasers become available, the homes
2 and lots shall then be sold to such qualified purchasers as provided in this Act.”

3 **Section 5.** Section 6 of Public Law No. 20-225 as amended by Public Law
4 No. 24-81 is hereby further *amended* to read as follows:

5 **"Section 6. Prices.** The unit shall be sold at cost plus two percent
6 (2%), and Three Dollars (\$3.00) per square meter for the house lot, and for a
7 first time owner, no down payment shall be required. Costs shall include, but
8 are not limited to, all costs associated with the design, on-site infrastructure,
9 construction, financing, sale and project management of the development. The
10 two percent (2%) in excess of the costs shall be retained by the Corporation for
11 the payment of expenses it will incur during the construction and monitoring of
12 the project. The proceeds from the sale of the lots shall be retained by the
13 Corporation. The costs of off-site infrastructure and off-site access roads shall
14 be the responsibility of the government of Guam. On-site infrastructure is
15 defined as all infrastructure improvements inside the lots described in Section 2
16 of this Act. The proceeds from the sale of the lots shall be retained by the
17 Corporation. Of these proceeds, Two Hundred Thousand Dollars
18 (\$200,000.00) shall be used to prepare a comprehensive housing study on
19 homeownership for Guam and the balance shall be used for costs associated
20 with future affordable housing projects. The Corporation shall establish a fund
21 for the proceeds of the land sales that is separate from its other accounts and
22 shall report to the Guam Legislature each year on the status of this fund.”

23 **Section 6.** A *new* Section 7.1 is hereby added to Section 7 of Public Law
24 Number 20-225 as further amended by Public Law 24-81 to read as follows:

25 **“Section 7.1. Equity Interest Recapture.** The difference
26 between the selling price of each unit and the initial appraised value of each

1 unit at the time of the sale is considered equity and shall be available to the
2 purchaser for down payment assistance and closing costs. This equity shall
3 not be used for debt consolidation. Participating banks and financial
4 institutions are encouraged to access this equity for the purposes stated herein.
5 If a homeowner uses any portion of this equity for any purpose listed herein,
6 and he or she decides to sell the home before five (5) years have transpired
7 from the date of original purchase, then he or she shall be obligated to pay to
8 Guam Housing Corporation five percent (5%) interest per year on the amount
9 of equity used. Guam Housing Corporation shall insert a provision in the
10 warranty deed for the property title "Equity Interest Recapture Clause." The
11 purpose of this provision is to establish a vehicle to recapture five percent (5%)
12 interest per year on the equity used by the homeowners in the event the
13 homeowners decides to resell the property in the first five (5) years. This
14 interest must be paid to the Corporation at the close of escrow. If the
15 homeowner sells the home after five (5) years then the recapture clause shall
16 have expired and the homeowner shall not be required to pay the interest."

17 **Section 7.** Section 12 of Public Law Number 20-225 is hereby *repealed and*
18 *reenacted* to read as follows:

19 **"Section 12. Zoning.** Upon conveyance of the property
20 described in Section 2 of this Act to the Corporation, such property shall
21 thereupon be zoned as a "Multi-residential (R2)." Any variance required from
22 Subdivision laws of Guam which would allow the Guam Housing Corporation
23 to maximize the marketability of the housing units and lots of the Lada Estate
24 Project is hereby granted so long as the waiving or granting of such variance
25 does not cause or result in danger to the health, safety or livelihood of the
26 residents of Lada and the general public and that such variance would not

1 result in economic loss to the Guam Housing Corporation and the homeowners
2 of Lada Estates.

3 **Section 8.** A new Section 17 is hereby *added* to Public Law Number 20-225
4 to read as follows:

5 **“Section 17. Exemption.** Sales of homes of lots to qualified
6 purchasers pursuant to this Act are hereby exempt from the provisions of
7 Section 60112, Article 1 of Title 21 of the Guam Code Annotated and Section
8 2107, Chapter 2 of Title 2 of the Guam Code Annotated.” For purposes of this
9 Act, the Lada Estates Project shall be exempted from the provisions of Public
10 Law 18-15.”

11 **Section 9. Severability.** *If* any provision of this Law or its application to
12 any person or circumstance is found to be invalid or contrary to law, such invalidity
13 shall *not* affect other provisions or applications of this Law which can be given effect
14 without the invalid provisions or application, and to this end the provisions of this
15 Law are severable.