

# New Home Loan Program

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Federal Program 22, the replacement of Program 20, is considered more beneficial to home mortgage applicants than the first project, according to Joe San Agustin, Department of Administration director.

San Agustin, who represented Gov. Camacho in talks in Washington last month, said Program 22 "allows more people to qualify and at the same time provides long-range savings to the homeowner."

Unlike Program 20, in which the Federal Housing Administration maximum interest rate was charged, Program 22 includes a frozen 7½ per cent monthly interest rate. When Program 20 was phased out completely in December, the FHA maximum interest rate was 8½ per cent.

Program 20 was started in 1969 and was a federal subsidy unique to Guam which enabled home mortgage applicants to save some \$2,000 to \$3,000. Under the program, the Government National Mortgage Association (GNMA) purchased FHA-insured mortgages at par value, eliminating closing costs which would have been passed on to the homeowner if the mortgages had been sold on the free market.

Under Program 22, GNMA will purchase mortgages at a 4 per cent discount. The homeowner will pay that 4 per cent as part of the closing costs.

According to San Agustin, the home buyer still will save in the long run, because he pays a lower 7¼ per cent monthly interest rate.

Jerry Karasaki, who was part of the Governor's team last October when GovGuam succeeded in having Program 20 reinstated temporarily, explained how Program 22 would work. Karasaki is also vice president of Bank of Hawaii here and vice chairman of the Guam Housing and Urban Renewal Authority.

He said under Program 22, a buyer applying for a \$30,000 FHA-insured loan for 30 years will receive a maximum loan of \$30,264. The down payment required will be \$936, plus other closing costs. Monthly principal and interest payments will be \$214.93, explained Karasaki.

Karasaki stated that under Program 20, the same buyer with the same loan would receive a maximum of \$29,100 and be required to give a down payment of \$900 plus other closing costs. Monthly payments would be \$225.38, he said.

Karasaki said the 4 per cent closing cost paid by the home buyer still will mean savings to the consumer because of the lower monthly payments. The \$214.93 monthly payments under Program 22 represent a total saving of \$3,762 for a \$30,000, 30-year loan term, he said. Subtracting the \$1,200 closing cost he is required to pay, the home buyer will save \$2,562 in the 30-year span, it was explained.

Guam was included in the \$6.6 billion

nationwide program after an appeal by the government last January that island mortgage buyers needed federal assistance when Program 20 was phased out.

Although \$36,750 is the maximum for applicants on the Mainland, Program 22 applicants here will have \$49,500 as the maximum, said San Agustin.

The project was established to assist some 200,000 home buyers. San Agustin said Congress is considering a measure that would allot \$20 million in reserves to Guam if the \$6.6 billion is exhausted.

A hidden benefit of Program 22, said San Agustin, is "It allows other investors interested in home mortgages to invest in Guam." San Agustin said there are 4,000 home mortgage applicants on Guam for the rest of this year, requiring \$100 million in mortgage monies.

"Program 22," said San Agustin, "has opened the door for both federal and private mortgage investment institutions who are now willing to come to Guam, because Program 20 assured banks and home developers that mortgage money would be available."