

A BILL FOR AN ACT

To amend 26 PNC §128 to limit the interest rate and loan term offered by the National Development Bank of Palau for home buyers; to enact 26 PNC §129 and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBII ERA KELULAU DO ENACT AS FOLLOWS:

1 **Section 1. Legislative Findings.**

2 In the current economic environment, salaries are not increasing at the same rate as
3 the cost of everyday necessities, such as energy, fuel, water and food. Reliable borrowers who
4 have received home loans from the National Development Bank of Palau are becoming
5 increasingly unable to make their loan payments, due to the rising cost of living in Palau. The
6 Olbiil Era Kelulau finds that it is necessary to offer some financial relief to these borrowers,
7 and to offer favorable rates and loan terms to new borrowers, especially those who apply for
8 a loan to purchase or build a primary residence. Safe and stable home ownership will allow
9 these borrowers to make the most of their salaries by investing in real estate and homes, and
10 this will also build new communities within Palau and improve the economic development of
11 the Republic. Creating refinancing opportunities for current borrowers will allow them to
12 continue to make their payments and avoid foreclosure, which will also benefit the NDBP.
13 As a fully government-owned bank, the NDBP should offer Palauan citizens as much
14 assistance as it can through promoting sustainable economic ventures and working with
15 current borrowers to refinance loan terms if necessary and appropriate.

16 **Section 2. Amendment.** Title 26 of the Palau National Code is hereby amended
17 as follows:

18 **“§128. Direct Home Loan Program.**

19 The National Development Bank of Palau shall establish a program for the
20 purpose of making direct housing loans to citizens of the Republic, ~~with preference~~
21 ~~given to citizens who are first-time home buyers,~~ at an interest rate not to exceed 8%
22 per year. Preference shall be given to citizens.

23 (a) Borrowers who qualify for a direct housing loan to finance a home that

1 will serve as the borrower's primary residence:

2 (1) shall be offered an interest rate not to exceed 6% per year;

3 (2) if the home is or will be located on fee simple property owned
4 by the borrower, the borrower shall be offered a loan term of thirty (30) years;
5 and

6 (3) if the home is or will be located on property leased by the
7 borrower, the borrower shall be offered a loan term that will coincide with the
8 end of the lease, and if the lessor has an option to extend the lease term, the
9 borrower may be offered a loan term that will coincide with the option,
10 provided that the total lease term cannot extend beyond thirty (30) years.

11 (b) Borrowers whose home loan agreement offers less favorable terms than
12 the terms outlined in subsection (a) may apply for refinancing within one year of the
13 effective date of this Act. The Bank shall give these borrowers' refinancing
14 applications due consideration and shall prioritize refinancing applications for home
15 buyers whose loan finances their primary residence. All decisions to approve or
16 disapprove a refinancing application shall be made solely by the National
17 Development Bank of Palau.

18 (c) The National Development Bank of Palau shall provide model . . . and
19 proper sanitary plumbing.

20 (d) With respect to all direct home loans, the NDBP shall exhaust all
21 options other than foreclosure before proceeding to foreclosure. In no case shall foreclosure
22 occur before payment is 120 days delinquent.

23 (e) A loan establishment fee charged for home loan agreements for home
24 buyers or individuals or married couples who are refinancing their home loan shall not exceed
25 one hundred dollars (\$100).

26 **§129. Loan Fees.**

27 All fees associated with obtaining a loan from the NDBP, including but not limited to
28 the appraisal fee, closing fee, and loan establishment fee, shall be financed in the loan package

