

MPLT RESOLUTION NO. 09-01

A RESOLUTION APPROVING MODIFICATIONS AND REVISIONS TO THE MPLT HOME LOAN PROGRAM AND TO AFFORD MORTGAGE RELIEF AND ASSISTANCE TO BORROWERS IN THE MPLT HOME LOAN PORTFOLIO

RECITALS

WHEREAS, on October 4, 1996 Public Law 10-29, the MPLT-NMHC Home Financing Act, took effect which authorized a loan from the Marianas Public Land Trust for the amount of \$10 million dollars to the Northern Marianas Housing Corporation at an interest rate of 6% per annum; and

WHEREAS, subsequent litigation ensued in *NMHC v. MPLT* in which the issue was whether the Home Financing Act violated Article XI of the CNMI Constitution. The Supreme Court ruled that MPLT was only authorized but not required to make a loan to NMHC so there was no issue of the constitutionality of the Act; and

WHEREAS, on March 20, 2001 MPLT and NMHC entered into a Consolidated Loan Agreement wherein MPLT desired to make available to NMHC funds for the purpose of extending home loans to low income residents. The consolidated agreement was an extension of the original loan agreement executed on January 23, 1998. The total amount of the consolidated loan was \$10,000,000 (Ten Million Dollars); and

WHEREAS, NMHC did not have to make payments on the loan as a result of the moratorium imposed pursuant to Public Law 12-27. As a result of the statute, the payments which MPLT would have been paying to the General Fund pursuant to the trust in the Constitution were to be withheld and applied as a credit toward the payments due from NMHC under the loan. This moratorium was ultimately removed with the repeal through Public Law 15-48 in April 2007; and

WHEREAS, as a result of a Settlement Agreement between MPLT and NMHC, NMHC transferred and assigned the NMHC accounts and portfolios funded by MPLT pursuant to the Home Financing Act constituting what is now identified as the "MPLT Home

Loan Portfolio"; and

WHEREAS, MPLT has taken over the administration of the MPLT Home Loan Portfolio effective February 1, 2008 with the assistance of its Loan Administrator, the Bank of Saipan and its counsel including the substitution of MPLT as Plaintiff in place of NMHC in all pending foreclosure actions; and

WHEREAS, since February 1, 2008 the MPLT Trustees have been reviewing the MPLT Home Loan Portfolio to survey the mortgaged properties; evaluate the status of compliance of borrowers; assess the various states of foreclosure actions; consider the delinquency rate; and ensure sufficient insurance coverage for the properties; and

WHEREAS, as a result of the file review the MPLT Trustees immediately implemented an across-the-board 2% rate reduction on the annual interest rate effective June, 2008 in order to provide assistance to the borrowers; and

WHEREAS, the MPLT Trustees have directed the Bank of Saipan and counsel to meet and confer with the Borrowers and provide recommendations to the Trustees in consideration of the following policy views:

- A. That the MPLT Home Loan Portfolio constitutes an Economically Targeted Investment ("ETI"), the first of its kind by MPLT, amounting to social investing to persons in the CNMI who are not only first time homeowners but also low-income residents, many of whom built their homes following their receipt of their Homestead Permits from the Marianas Public Lands Authority as persons of Northern Marianas Descent;
- B. That the current economic situation in the CNMI and the mortgage crisis have revealed that borrowers' financial situation has deteriorated where the rate of delinquency has increased due to reduced work hours; layoffs; increased costs of living; and other factors which have affected borrowers' ability to service their loans under the MPLT Home Loan Portfolio;
- C. That the MPLT Trustees originally invested in NMHC and the first-time homeowners after consideration of the wisdom of social investing in affording CNMI residents the opportunity to build and own their own homes on their homesteads for themselves and for their families;

- D. That the MPLT Trustees consider this investment in the MPLT Home Loan Portfolio to be one far different from a commercial lending institution in that the Trustees have placed great value on the building of homes on homestead lots and that the Trustees place a greater emphasis, perhaps greater than that by the Legislature in the Home Financing Act and greater than that viewed by NMHC, that homeowners whom are of Northern Marianas Descent should be given as much of an opportunity to protect their investment and that MPLT may provide as much assistance or relief whenever possible so long as MPLT recovers its original principal investment plus the administrative costs in the form of interest; and

WHEREAS, the MPLT Trustees have received letters from numerous borrowers seeking debt relief as to interest rates; accrued interest; and rehabilitation options; and have also received communication from the CNMI Legislature that, whenever possible, MPLT should consider all proper measures to afford debt relief and assistance to members of the MPLT Home Loan Portfolio subject to the limits of the Trustees' fiduciary duties to recover the investment and avoid any loss of principal; and

WHEREAS, the MPLT Trustees have observed the current mortgage crisis and the desperate conditions in the CNMI affecting its borrowers in the MPLT Home Loan Portfolio flowing from the increased energy costs; fuel costs; decreasing income due to austerity measures; and other factors affecting borrowers' ability to pay; and

WHEREAS, the MPLT Trustees also realize that foreclosure of properties the current economic situation and real estate prices reveal the great challenges for MPLT and are also devastating to the borrowers with the loss of homes as well as homesteads, a terrible social impact on our community, and that MPLT may not be to recover the principal and accrued interest on any properties sold at auction so that it may be wise for MPLT to reconsider possible options to work out or revise existing agreements with borrowers in the MPLT Home Loan Portfolio in a manner which avoids judicial sale and which allows borrowers another opportunity to rehabilitate their loans with MPLT.

THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS AND THE IMPORTANT NEED TO PROVIDE ASSISTANCE TO BORROWERS, THE MPLT BOARD OF TRUSTEES RESOLVE AS FOLLOWS:

MPLT HOME PORTFOLIO DEBT RELI

Loan Administration Policy Changes

- A. RESOLVED, that consistent with banking and financial standard institutions but with some flexibility given MPLT's policy reasons for the MPLT Home Financing Portfolio, the Loan Administrator Bank of Saipan is hereby directed to classify the Portfolio between Performing and Non-Performing/Delinquent Accounts;
- B. RESOLVED, that borrowers in the Portfolio who have not made payments or who have failed to make the required amount of monthly payments for a period of 180 days as of October 31, 2008 and/or whose accrued interest has reached over \$30,000 shall be placed in the Non-Performing/Delinquent Accounts ("Non-Performing");
- C. RESOLVED, that the Loan Administrator shall implement aggressive but pro-active collection measures as to these borrowers who are Non-Performing but whose payments shall be applied to the principal amount owed, then to interest accrued, and that interest shall be "charged off" moving forward once placed in the "Non-Performing" category and with whom the Loan Administrator shall confer to attempt rehabilitation of their accounts;
- D. RESOLVED, that the Loan Administrator shall then report to MPLT the status and performance of Borrowers in the Non-Performing as well as the performing classes and the Loan Administrator is authorized by MPLT to negotiate and confer with Non-Performing Borrowers as to terms and shall make recommendations on those accounts appropriate for rehabilitation (including Revision Agreements; Modifications; Substitution of Borrowers; Sureties/ Guarantors) for approval by MPLT as well as report those accounts which the Loan Administrator recommends shall be referred for foreclosure through legal proceedings;


Borrower Relief Measures


- E. RESOLVED, that the rate of interest for borrowers in the MPLT Home Financing Portfolio shall have an annual interest rate of no more than (two) 2%.

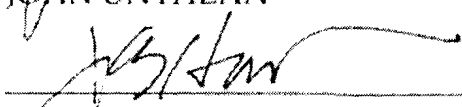
- F. RESOLVED, that all borrowers in the MPLT Home Financing Portfolio, without regard to status of delinquency or compliance, shall have all their accrued interest waived and removed subject to the Borrowers' agreeing to a Revision Agreement which reflects the adjusted amount; adjusted interest rate; and modified payment plan acceptable to MPLT.
- G. RESOLVED, that MPLT affords all delinquent borrowers in the MPLT Home Loan Portfolio whose accounts have been reduced to judgment and subject to an Order of Judicial Sale a period of six months, until May 31, 2009 to meet and confer with MPLT through its counsel and/or the Bank of Saipan in order to agree to or work out a rehabilitation plan or Revision Agreement in order to come to compliance and that after that date all borrowers shall be deemed to be unwilling or unable to negotiate rehabilitation terms and MPLT shall proceed forward with foreclosure proceedings.


SO ADOPTED THIS 10th day of December, 2008 by unanimous vote of the MPLT Board of Trustees


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