



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910
Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)
www.opaguam.org

Guam Housing Corporation – FY 2021 Financial Highlights

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Hagåtña, Guam – Despite the negative impact to Guam’s economy from the novel coronavirus (COVID-19) pandemic, the Guam Housing Corporation (GHC) ended fiscal year (FY) 2021 with an increase in net position (net gain) of \$434 thousand (K), an increase of \$263K from the FY 2020 net gain of \$170K. GHC received an unmodified (clean) opinion on its FY 2021 audit from independent auditors, Ernst & Young, LLP. There was no management letter issued and the auditors did not identify any material weaknesses or significant deficiencies in its compliance report.

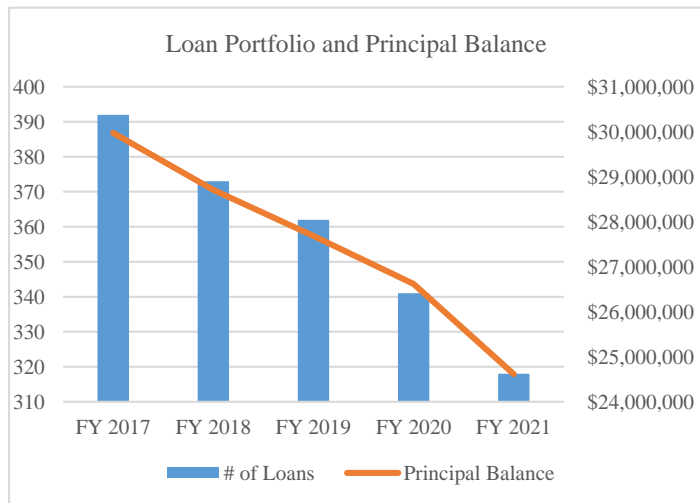
Revenues Increase and Expenditures Decrease

GHC’s total operating revenues increased by 6%, or \$149K, from \$2.3 million (M) in FY 2020 to \$2.5M in FY 2021. This was mainly due to an increase in rental income, administrative fees, gain on sales of assets, and the implementation of GASB 84. Notable increases included: (1) a 716% increase in miscellaneous revenues or \$144K, from \$20K in FY 2020 to \$164K in FY 2021; (2) a 186% increase on gain on sale of foreclosed assets or \$52K, from \$28K in FY 2020 to \$80K in FY 2021; and (3) a 14% increase on rental income or \$118K, from \$857K in FY 2020 to \$975K in FY 2021.

GHC’s total operating expenses decreased by 5%, or \$114K, from \$2.2M in FY 2020 to \$2M in FY 2021. This was mainly due to the decrease in Retiree Supplemental & Health Benefits, Loss on Impaired Assets, and Salaries. This was offset by the combined increase of \$89K in Employee benefits (other than retirement), Retirement and Medicare contributions, and Other expenses.

Loan Portfolio Continues to Decrease

GHC’s loan portfolio decreased by 7.5% or \$2M, from \$26.6M in FY 2020 to approximately \$24.6M in FY 2021. The decrease was due to \$1.2M in payoff and \$1.1M in monthly payments offset by a new loan’s principal disbursements and deferment totaling \$360K. GHC closed one loan totaling \$187K under the Direct Loan Program and two loans totaling \$78K under the Community Affordable Housing Action Trust program in FY 2021.



Although loans were committed, there have been delays in principal disbursement. Borrowers seeking to build homes are finding it difficult to secure contractors due to the limited availability of local, skilled construction labor. Borrowers wishing to utilize their loans to purchase homes are

facing similar difficulties in locating homes for purchase due to the lack of inventory available in the low to moderate price range. In FY 2021, only 164 applicants were interviewed with a total funding of \$3M required. Of those interviewed, only 21 pursued the application process.

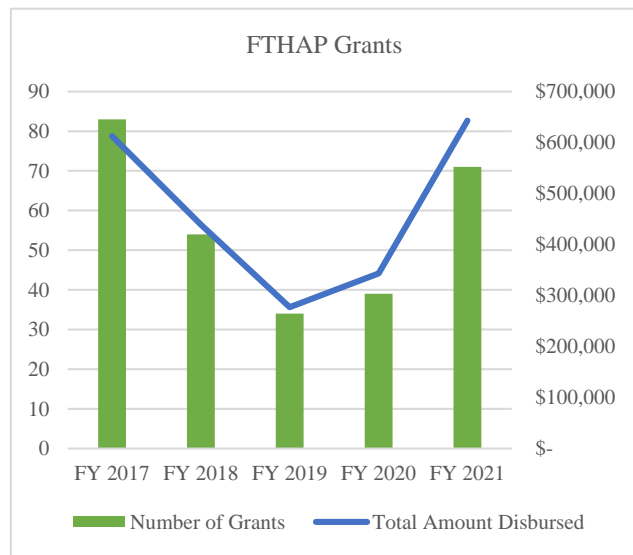
Delinquency in Loans Decrease

GHC provides mortgage loans to qualified applicants, who conventional financial institutions denied financing for the construction or purchase of their new homes. Thus, GHC assumes a higher lending risk with mortgage loans at the start. The COVID-19 Pandemic has added to that risk as it has had a direct financial impact on many GHC mortgagors and their ability to meet their financial obligations. Delinquent loans 30 days and over decreased by \$1.2M to \$2.6M in FY 2021. Overall, loans delinquent 30 days and over decreased from 15% in FY 2020 to 11% in FY 2021.

First Time Homeowners Assistance Program (FTHAP) Disbursements Increase

In FY 2021, FTHAP’s total number of disbursed grants increased to 71 from 39 in FY 2020. GHC received \$285K and \$531K of escheated funds from the Department of Administration during FY 2020 and FY 2021, respectively. The FY 2020 funds were received in the latter part of the fiscal year, so these fund disbursements took place in FY 2021.

As with previous fiscal years, the funds were not enough for all FTHAP applications received, resulting in an ongoing waiting list. GHC is still awaiting funds.



FY 2021 Other Post-Employment Benefits (OPEB) Decrease

Governmental Accounting Standards Board No. 75 pertains to post-employment benefits other than pension. These benefits provided by the Government of Guam include medical, dental, and life insurance to retirees, spouses, children, and survivors. The OPEB liability decreased by 7%, from \$7.4M in FY 2020 to \$6.9M in FY 2021.

COVID-19 Pandemic and Future Impact

On March 14, 2020, the Governor of Guam, through Executive Order 2020-03, declared a state of emergency for Guam in response to COVID-19. The state of emergency extended monthly throughout FY 2021 and into FY 2022. Despite various federal assistance programs being made available to the community, the financial impact from COVID-19 continues to be felt with residents struggling to meet their basic financial obligations such as mortgages, rental payments, groceries, health care, etc.

In FY 2021, GHC launched the Mortgage Relief Program (MRP) in conjunction with the Guam Housing and Urban Renewal Authority (GHURA). The purpose of the program was to provide relief to mortgagors on Guam who were behind in their mortgage, were financially impacted by the COVID-19 Pandemic, and were at or below 80% of the median area income established by Housing and Urban Development. As part of the Memorandum of Agreement signed by GHC and

GHURA, it was agreed that GHC would administer the MRP with GHURA maintaining control and distribution of MRP funds. Approved mortgage assistance payments to applicants were made by GHC and then submitted to GHURA for reimbursement. The program expired on July 31, 2021.

Due to the continued uncertainties surrounding the extent and duration of the COVID-19 Pandemic and the impact on the economy of Guam, GHC is unable at this time to reasonably estimate the potential future impact on its financial statements.

For a more detailed discussion on GHC's operations, see the Management's Discussion and Analysis in the audit report at www.guamhousing.org or www.opaguam.org.