



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 2022 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Housing Corporation (GHC) financial statements; reports on compliance and internal control; and the auditor’s communication with those charged with governance for fiscal year (FY) 2022. Despite the negative impact on Guam’s economy from the novel coronavirus (COVID-19) pandemic and various federal assistance programs being made available to the community, GHC ended FY 2022 with an increase in net position (net gain) of \$364 thousand (K), a decrease of \$70K from FY 2021’s net gain of \$434K. GHC received an unmodified opinion on its FY 2022 audit from independent auditors Ernst & Young LLP.

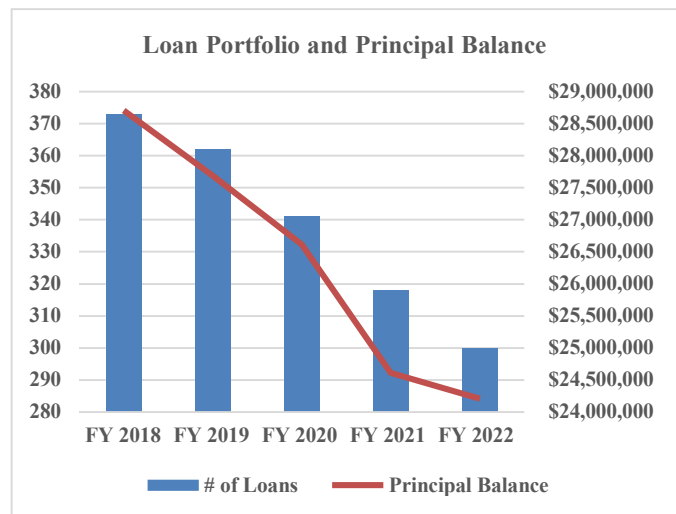
Revenues and Expenditures Decrease

GHC’s total operating revenues decreased by \$289K (or 12%), going from \$2.5 million (M) in FY 2021 to \$2.2M in FY 2022. The decrease was mainly due to (1) a \$153K decrease in rental income – going from \$975K in FY 2021 to \$822K in FY 2022 – due to the increase in vacancy; and (2) an \$80K decrease in gain on sale of foreclosed assets, in which two properties were sold for a combined gain of \$80K in FY 2021, whereas no properties were sold in FY 2022. Other notable decreases include a \$61K (or 5%) decrease in interest on loans – going from \$1.3M in FY 2021 to \$1.2M in FY 2022 – due to decreases in the weighted average interest rate and loan portfolio.

GHC’s total operating expenses decreased by \$220K (or 11%), going from \$2M in FY 2021 to \$1.8M in FY 2022. This was mainly due to a \$208K (or 52%) decrease in retirement and Medicare contributions – going from \$404K in FY 2021 to \$196K in FY 2022 – due to decreased pension liabilities. The overall pension adjustments increased pension expense by \$63K in FY 2021 and decreased pension expense by \$167K in FY 2022. Other notable decreases include (1) a \$11K (or 16%) decrease in other, going from \$69K in FY 2021 to \$58K in FY 2022; (2) a \$10K (or 14%) decrease in contractual services, going from \$77K in FY 2021 to \$67K in FY 2022; and (3) a \$12K (or 6%) decrease in interest expense – going from \$182K in FY 2021 to \$170K in FY 2022 – due to the decrease in bonds payable.

Loan Portfolio Continues to Decrease

GHC’s loan portfolio decreased by \$406K (or 2%), going from \$24.6M in FY 2021 to \$24.2M in FY 2022. Principal disbursements increased from \$360K in FY 2021 to \$2.4M in FY 2022; payoffs increased from 25 loans totaling \$1.2M in FY 2021 to 30 loans totaling \$1.6M in FY 2022. In FY 2022, GHC closed two loans totaling \$379K under the Direct Loan Program; six loans totaling \$1.7M under the Six Percent Loan Program; and three loans totaling \$120K under the Community Affordable Housing Action Trust Program.



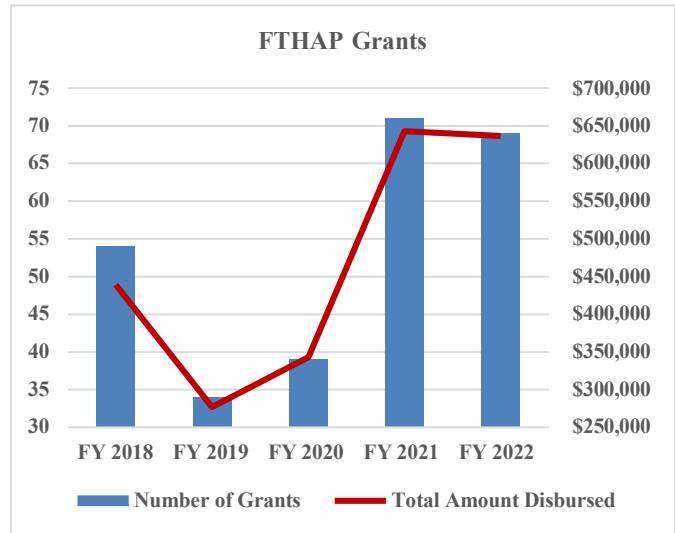
Although loans were committed, there have been delays in principal disbursement. Borrowers seeking to build homes find securing contractors challenging due to the limited local availability of skilled construction labor. Borrowers wishing to utilize their loans to purchase homes are facing similar difficulties in locating homes for purchase due to the lack of inventory available in the low to moderate price range. Only 134 applicants were interviewed in FY 2022, out of which only 29 pursued the application process, and 11 were approved and closed.

Delinquency in Loans Increase

GHC provides mortgage loans to qualified applicants whom conventional financial institutions deny financing for constructing or purchasing new homes. Thus, GHC assumes a higher lending risk with mortgage loans from the outset. The COVID-19 pandemic has added to that risk, as it has directly impacted many GHC mortgagors and their ability to meet their financial obligations. Delinquent loans 30 days and over increased by \$549K to \$3.2M in FY 2022. Overall, delinquent loans 30 days and over increased from 11% in FY 2021 to 13% in FY 2022.

First-Time Homeowners Assistance Program (FTHAP) Disbursements Decrease

In FY 2022, FTHAP’s total number of disbursed grants decreased to 69 from 71 in FY 2021. GHC received \$531K and \$813K of escheated funds from the Department of Administration during FY 2021 and FY 2022, respectively. The funds received in FY 2022 have either been committed or disbursed by January 2023. The program continues to be well-received by the general public.



FY 2022 Other Post-Employment Benefits (OPEB) Increase

Governmental Accounting Standards Board (GASB) Statement No. 75 pertains to post-employment benefits other than pension. These benefits provided by the Government of Guam include medical, dental, and life insurance for retirees, spouses, children, and survivors. The OPEB Liability increased from \$6.9M in FY 2021 to \$7.7M in FY 2022. Overall adjustments due to the OPEB and Pension Liability increased net position by \$835K in FY 2022. Before the OPEB and Pension Liability adjustment, GHC’s net position decrease was \$471K.

GASB 87 Implementation

Due to the implementation of GASB Statement No. 87 in FY 2022, leases over one year should be recorded as a right-of-use asset and a lease liability, and amortized over the lease term. Notable changes in lease expenditures due to the implementation of GASB 87 were (1) a \$36K decrease in rent expense, going from \$105K in FY 2021 to \$69K in FY 2022; and (2) a \$43K increase in the amortization of right-of-use assets. GHC’s office space lease from the Guam Economic Development Authority expired on February 28, 2023; however, GHC is renegotiating to renew its lease agreement, which calls for a monthly rental payment of roughly \$9K.

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 2023. Despite various federal assistance programs being made available to the community, the financial impact of COVID-19 continues to be felt, with residents struggling to meet their essential financial obligations such as mortgages, rental payments, groceries, health care, etc.

In FY 2022, significant renovations of 23 rental units in Lada Gardens began. The \$1.4M contract was awarded, with the Department of Public Works serving as Construction Manager. The Notice to Proceed (NTP) for the project's design phase began on September 10, 2021, with the NTP for the construction phase beginning on January 26, 2022. Occupancy permit and turnover of the 23 units under Phase I was signed on March 7, 2023.

Despite the challenges facing GHC and the agency's low to moderate-income borrowers, GHC continues to market all its available programs and entertain inquiries with the ultimate goal of loan closing and home ownership.

Super Typhoon Mawar

On May 24, 2023, Super Typhoon Mawar struck the island of Guam, causing devastating damage to home structures. As there are ongoing uncertainties regarding the extent of damage caused to the construction of housing units and unclear what, if any, Federal Emergency Management Agency reimbursement will be forthcoming, GHC is currently unable to reasonably assess the potential future impact of the situation.

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.