



## **Guam Housing Corporation FY 2015 Financial Highlights**

March 8, 2016

The Guam Housing Corporation (GHC) closed fiscal year (FY) 2015 with a net loss of \$122 thousand (K), a slight decrease of \$31K from FY 2014 net loss of \$153K. GHC received an unmodified (clean) opinion from independent auditors, Ernst & Young, LLP (EY). GHC is to be commended for its third consecutive year without material weaknesses and significant deficiencies in its Report on Compliance and Internal Control. However, the Management Letter noted two deficiencies relative to the First-time Homeowner Assistance Program and annual leave.

As of October 1, 2014 GHC implemented Governmental Accounting Standards Board (GASB) Statement No. 68 for the accounting and financial reporting for pensions. GHC presented single year financial statements due to the lack of pertinent retirement data, while some other government of Guam entities were able to present comparative financial statements.

### **Loan Portfolio Amounts to \$29.9M**

In FY 2015, GHC's loan portfolio included 411 loans totaling \$29.9 million (M), a slight increase from FY 2014 by \$328K but decreased by 10 loans. During the year, GHC originated 14 loans totaling \$1.97M, which is nine more loans than those originated in FY 2014. There were 22 loans paid off totaling \$740K, a decrease of \$360K from FY 2014 where loans paid off amounted to \$1.1M. In August 2014, the Board of Directors changed the Direct Loan Program interest rate to 1% above the local prevailing rate after paying off its Federal Home Loan Bank loan making the loan programs more affordable. Securing lending capital at affordable rates, however, has been a challenge.

GHC had an increase in delinquent loans from 52 loans in FY 2014 to 58 loans in FY 2015 with a principal balance of \$4.5M. Of the 58 delinquent loans, 66% with a principal balance of \$2.9M had been referred to legal. Accordingly, GHC has an overall delinquency rate of 15% in FY 2015, which increased from 13% in FY 2014.

### **Demand for First Time Homeowners Assistance Program (FTHAP)**

As of FY 2015, GHC issued FTHAP grants totaling \$2.2M. The FTHAP provides financial assistance to eligible recipients for up to \$10K or 4% of their mortgage loans up to \$250K. In FY 2015, there were 121 FTHAP grants disbursed, an increase of 19, or \$129K, from the 102 grants disbursed in FY 2014. Since 2012, GHC has administered FTHAP and its growing demand has been challenged by limited funding.

GHC contributed \$500K and received \$2.1M in FTHAP appropriations. As of December 2015, all amounts have been committed or disbursed. GHC has established a waiting list for on-going FTHAP grant applications until additional funding is available. The FTHAP has been vital to assist

potential homeowners with closing their loans. GHC continues to seek funding sources to assist those purchasing their first home.

### **Governmental Accounting Statement – Pension Liability**

The implementation of GASB 68 related to *Accounting and Financial Reporting for Pensions* in FY 2015 recognized GHC's pro rata share of the GovGuam's net pension liability. Per the Government of Guam Retirement Fund, GovGuam's pension liability of \$1.3 billion (B) in FY 2014 was reduced to \$1.2B in FY 2015. GHC's pro rata share decreased by \$382K, from \$3.3M in FY 2014 to \$2.9 M in FY 2015.

### **Revenues and Expenses Decreased Slightly**

GHC's revenues, net of interest expense, decreased by 2%, or \$60K, from \$2.4M in FY 2014 to \$2.3M in FY 2015. Interest income is GHC's largest revenue source, largely affected by its loan portfolio activity. Interest from loans receivable decreased minimally by 3%, or \$42K compared to FY 2014 but contributed to the decrease in overall revenues. Interest income is also derived from investments held by bond trustees which experienced the biggest decrease of \$51K, or 39%, from \$130K in FY 2014 to \$79K in FY 2015. This was due to the payment of trustee fees and the Mortgage Revenue Bond (MRB) principal and interest.

Rental income is another major GHC revenue source. Rental income, net of vacancy loss and allowance for tenant uncollectible increased minimally by \$5K, or 1%, from \$875K in FY 2014 to \$879K in FY 2015. Rental income is affected by the availability of rental units in the Lada Gardens, Sagan Linahyan, and Guma As-Atdas, which require routine maintenance and repairs, and periodic renovations.

GHC's expenses decreased by 5%, or \$131K, from \$2.8M in FY 2014 to \$2.7M in FY 2015. However, an impairment loss of \$112K was recorded for two of five foreclosed properties. These properties are now appraised at \$288K from \$400K in FY 2014.

There were increases in retiree supplemental and health benefits by \$56K from \$169K in FY 2014 to \$225K in FY 2015 due to Cost of Living Allowance (COLA) and insurance increases. The COLA per retiree increased from \$1,800 in FY 2014 to \$2,000 in FY 2015. GHC also incurred court ordered costs for a former employee's attorney for \$21K.

### **Compliance Report and Management Letter**

GHC is to be commended for its third consecutive year of no compliance and internal control findings. However, the Management Letter identified two deficiencies relative to FTHAP requirements and annual leave accrual process. A copy of the applicant's U.S. passport or permanent resident card and certificate of completion of a home ownership education program or workshop were not found before FTHAP assistance was granted to applicants in accordance with Public Law 31-166. Annual leave did not correspond with the approved hours and taken without any approval affecting employee's balances.

For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report. Visit GHC's website at [www.guamhousing.org](http://www.guamhousing.org) or OPA's website at [www.opaguam.org](http://www.opaguam.org) to view the reports in their entirety.