



## **Financial Highlights**

### **Guam Housing Corporation Financial Audit**

### **Fiscal Year 2023**

May 22, 2024

The Guam Housing Corporation (GHC) received an unmodified (clean) opinion in its Fiscal Year (FY) 2023 financial statements from independent auditors Ernst & Young LLP. There were no deficiencies identified in the Report on Internal Control Over Financial Reporting and on Compliance, and no management letter was issued. GHC ended FY 2023 with an increase in net position (net gain) of \$344 thousand (K), bringing its cumulative net position to \$27.4 million (M), up from the restated net position for FY 2022 of \$27.1M<sup>1</sup>. The increase is primarily due to the decrease in Other Post-Employment Benefits (OPEB) liability and the decrease in Rebate liability.

#### **Revenues Increased by \$191K**

GHC's total operating revenues increased by \$191K, from \$2.2M in FY 2022 to \$2.4M in FY 2023. The increase was mainly due to: 1) a \$151K increase in rental income, from \$822K in FY 2022 to \$973K in FY 2023 due to the completion of Lada Gardens renovations for 23 units in March 2023; 2) a \$129K increase in interest income on deposits, from \$17K in FY 2022 to \$146K in FY 2023 due to the increase in interest rates for time certificate of deposits; and 3) \$105K increase in interest on investments held by bond trustees, which was \$0 in FY 2022, due to an adjustment made to reduce the rebate liability by \$94K based on the Interim Arbitrage Rebate Analysis dated March 6, 2023 completed by Orrick, Herrington & Sutcliffe LLP.

There was a \$133K decrease in Miscellaneous revenues, from \$219K in FY 2022 to \$86K in FY 2023, mainly due to the decrease in administrative fees for the First-Time Homeowners Assistance Program (FTHAP), Mortgage Relief Program, Emergency Rental Assistance Program, and the Housing Assistance Fund Program in FY 2023. In addition, a slight \$62K decrease in revenues from interest income on loan receivables due to less payoffs in FY 2023 and interest credited for one foreclosure in FY 2022.

#### **Expenses Decreased by \$152K**

GHC's total operating expenses decreased by \$152K, from \$2.5M in FY 2022 to \$2.4M in FY 2023. This was mainly due to a \$267K decrease in other expenses, from \$760K in FY 2022 to \$493K in FY 2023. This is because of a decrease in the number of FTHAP grants disbursed. In addition, there was a \$94K decrease in retiree supplemental, cost-of-living allowance, and health benefits, which was due to decreased expenses for OPEB.

These decreases were offset by increases in several expenses: (1) retirement and Medicare contributions increased by \$165K, from \$196K in FY 2022 to \$361K in FY 2023, due to the overall pension adjustments (pension liability, deferred inflows, and deferred outflows); (2) a \$61K increase in Salaries expense, from \$1.2M in FY 2022 to \$1.3M in FY 2023 due the implementation of Public Law 37-3, which increased salaries by 22% for employees under the general pay plan effective April 1, 2023; (3) a \$46K increase in rent, from \$69K in FY 2022 to \$115K in FY 2023, mainly due to the implementation of Governmental Accounting Standards Board Statement No. 87; and (4) a \$39K

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<sup>1</sup> During FY 2023, an error correction resulted in adjustments to and restatements of the beginning net position: \$24,118,698 as of September 30, 2022, was restated to \$27,066,802 with the addition of \$2,948,104 for the error correction.

increase in depreciation expense from \$151K in FY 2022 to \$190K in FY 2023 due to the renovation completion of 23 units at Lada Gardens in March 2023.

### **Loan Portfolio Increases**

GHC's loan portfolio slightly increased by \$51K, going from \$24.2M to \$24.3M in FY 2023. Although principal disbursements decreased from \$2.4M in FY 2022 to \$1.6M in FY 2023, payoffs decreased from 30 loans totaling \$1.6M in FY 2022 to 20 loans totaling \$530K in FY 2023. The decrease in payoffs is due to the increase in interest rates for mortgage loans at the banks. Delays in principal disbursement for loan funds committed have continued. Borrowers seeking to build homes are finding it difficult to secure contractors who are able to offer affordable home construction. This issue is largely due to the limited availability of local and skilled construction labor. Furthermore, borrowers purchasing homes face similar difficulties due to the lack of inventory available in the low-to-moderate price range.

In FY 2023, GHC interviewed 129 applicants, with only 13 completing the application process. Of the 13 applications, nine were approved and closed: one (1) loan totaling \$75K under the Direct Loan Program for a home renovation, four (4) loans totaling \$1.3M under the Six Percent Loan Program, and four (4) loans totaling \$160K under the Community Affordable Housing Action Trust loan program in FY 2023.

### **Delinquency in Loans Decreases**

GHC provides mortgage loans to qualified applicants who have been denied financing from conventional financial institutions for the construction or purchase of their new homes. Thus, GHC assumes a higher lending risk with mortgage loans from the outset. Delinquent loans, 30 days and over, decreased by \$1M from \$3.2M in FY 2022 to \$2.2M in FY 2023. Overall, loans delinquent 30 days and over decreased from 13% in FY 2022 to 9% in FY 2023.

### **FTHAP Disbursements Decrease**

In FY 2023, FTHAP's total number of disbursed grants decreased to 38 from 69 in FY 2022. GHC received \$813K and \$278K of escheated funds from the Department of Administration during FY 2022 and FY 2023, respectively. The program continues to be well-received by the general public.

### **Future Events and Goals for FY 2024**

Despite numerous challenges, GHC continues to pursue its mission and has established several goals to complete in FY 2024 based on its ability to secure lending capital at affordable rates.

- (1) Issue the Invitation-for-Bid and award a contract for Phase II of the Lada Gardens Renovation Project, utilizing \$1.5M in American Rescue Plan funds.
- (2) Continue to work as a member of the Governor's Interagency Council on Homelessness to help develop and implement strategies and programs for a coordinated and effective response to homelessness in Guam.
- (3) Apply for a Federal Emergency Management Agency Mitigation Program grant to support the installation of typhoon shutters for housing units at Lada Gardens.
- (4) Announce a Request-for-Interest for the development of nine Chamorro Land Trust Commission lots utilizing affordable housing systems.

For more details, refer to the GHC's FY 2023 Financial Statements, Report on Internal Control Over Financial Reporting and on Compliance, and Auditor's Communication With Those Charged with Governance at [www.opaguam.org](http://www.opaguam.org) and <http://www.guamhousing.org>.