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Guam Housing Corporation – FY 2019 Financial Highlights

April 26, 2020

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Housing Corporation’s (GHC) financial statements, report on compliance and internal control, and the auditor’s communication with those charged with governance for fiscal year (FY) 2019. GHC ended FY 2019 with an increase in net position (net gain) of \$727 thousand (K), an increase of \$1.3 million (M) from the FY 2018 net loss of \$569K.

GHC received an unmodified (clean) opinion on its FY 2019 audit from independent auditors, Ernst & Young, LLP (EY). There was no management letter issued and auditors did not identify any material weaknesses or significant deficiencies in its compliance report.

Revenues and Expenditures

GHC’s total operating revenues increased by 11%, or \$258K, from \$2.4M in FY 2018 to \$2.6M in FY 2019. This increase was mainly due to (1) a 15% increase in rental income or \$114K, from \$754K in FY 2018 to \$868K in FY 2019, (2) the \$57K FY 2019 gain on the sale of foreclosed assets, and (3) \$53K in FY 2019 interest income on investments held by bond trustees.

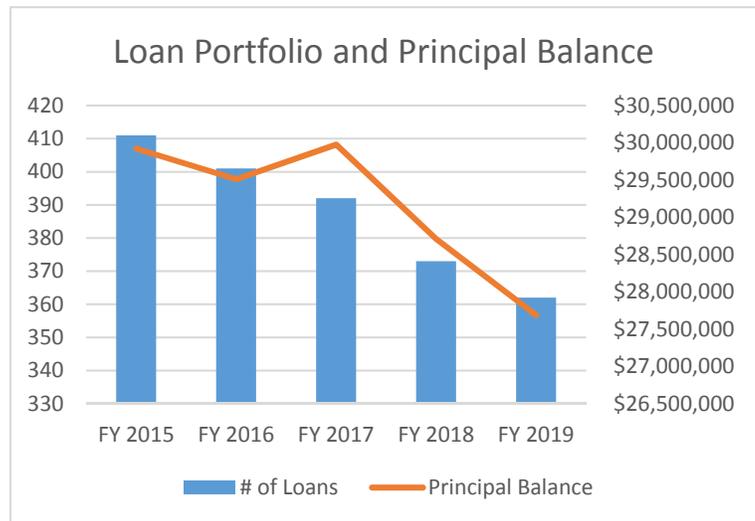
GHC’s total operating expenses decreased by 35%, or \$1M, from \$2.9M in FY 2018 to \$1.9M in FY 2019. This was mainly due to the decrease in Retiree Supplemental & Health Benefits, Professional Services and Loss on Impaired Assets. This was offset by the \$444K increase in the Retirement & Medicare contributions.

Loan Portfolio

GHC’s loan portfolio decreased by 3.6% or \$1M, from \$28.7M in FY 2018 to approximately \$27.7M in FY 2019. The decrease was due to \$1.5M in payoffs, \$1.1M in monthly payments plus \$156K from one foreclosure offset by a new loan’s principal disbursements and deferment totaling \$1.7M.

GHC originated five (5) loans totaling \$824K under the Direct Loan Program, five (5) loans totaling \$930K under the Revolving Loan Program, and ten (10) loans totaling \$342K under the Community Affordable Housing Action Trust (CAHAT) program in FY 2019.

At the end of FY 2019, 14 applicants totaling \$2.2M were committed for loans and awaiting documents.



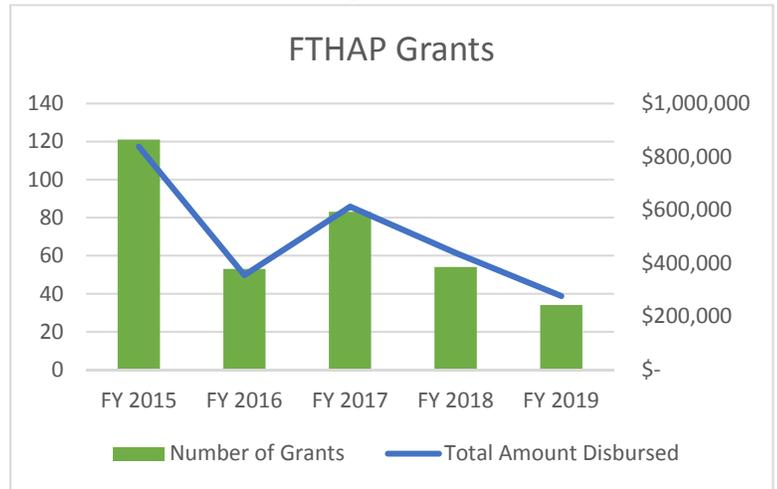
Although loans were committed, there have been delays in principal disbursements due to the limited number of skilled workers on Guam. GHC’s borrowers are experiencing challenges in securing a Contractor to build their homes. GHC continues its marketing efforts to disseminate information relative to all its authorized programs, including the First Time Homeowners Assistance Program (FTHAP).

Although GHC is limited in its lending capital and securing a Contractor is difficult, it continued to conduct pre-qualification interviews to determine the need for affordable housing. In FY 2019, 228 applicants were interviewed. Of those interviewed, only 106 are prospective applicants requiring a total of \$12.1M for loans. Most of these individuals are faced with the challenge of locating a dwelling within their affordability amount.

First Time Homeowners Assistance Program Disbursements Decreased

In FY 2019, FTHAP’s total number of grants disbursed decreased from 54 in FY 2018 to 34 in FY 2019. GHC received \$601K and \$473K of escheated funds from the Department of Administration during FY 2019 and FY 2018, respectively.

Half of the FY 2019 funds were received in the latter part of FY 2019. As a result, these funds were disbursed in FY 2020. As with the previous fiscal years, the funds were not enough for all the applications GHC received resulting in an on-going waiting list. GHC is still awaiting funds.



FY 2019 Other Post-Employment Benefits (OPEB) Decreased

Governmental Accounting Standards Board (GASB) No. 75 pertains to post-employment benefits other than pension. These benefits provided by the Government of Guam (GovGuam) include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2019, GHC’s proportionate share of GovGuam’s OPEB liability was \$5.7M, a 49% or \$5.5M decrease from \$11.2M in FY 2018. This decrease was due to the changes of many assumptions in the Actuaries’ report dated March 12, 2020.

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.