

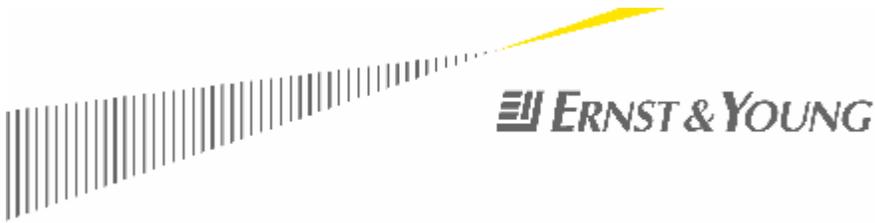
*Statement on Auditing Standards No. 114
The Auditor's Communication With Those Charged
With Governance*

Guam Housing Corporation

Year ended September 30, 2010

Ernst & Young

 **ERNST & YOUNG**



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March 3, 2011

The Board of Directors
Guam Housing Corporation
P.O. Box 3457
Tamuning, Guam 96932

Dear Sirs:

We have performed an audit of the financial statements of Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated March 3, 2011.

REQUIRED COMMUNICATIONS

Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*, and other professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Corporation is responsible. We summarize these required communications as follows:

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS)

The financial statements are the responsibility of the Corporation's management. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting.

Auditors' Responsibilities under US GAAS, continued

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

There were no changes in the Corporation's significant accounting policies during the year ended September 30, 2010. The Corporation continues to apply its accounting policies in an appropriate manner and is disposed toward high quality financial reporting and application of accounting policies.

Auditor's Judgments about the Quality of the Corporation's Accounting Principles

We discussed our judgments about the quality, not just the acceptability, of the Corporation's accounting principles as applied in its financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.

The Corporation has consistently applied accounting principles generally accepted in the United States (US GAAP) and adequately disclosed required US GAAP disclosures in the financial statements.

Sensitive Accounting Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

Sensitive Accounting Estimates, continued

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the Corporation's operations. These budgets include determining how existing financial resources will be used in the Corporation's operations.
- Determining the valuation of investments.
- Determining the adequacy of the recorded valuation of receivables, including the need for any reserve.
- Determining the impairment loss on long-lived assets.
- Determining assumptions utilized in measuring pension and other employee-related reserves and related costs for financial accounting purposes.

Significant Audit Adjustments

Significant audit adjustments, including certain post-closing journal entries, were recorded while we were conducting our fieldwork (see Appendix A – *Summary of Adjusting and Post-Closing Journal Entries*).

Unadjusted Audit Differences Considered by Management to be Immaterial

No unrecorded audit differences were identified during the audit.

Other Information in Documents Containing the Audited Financial Statements

We reviewed the Management's Discussion and Analysis and other supplementary schedules to the financial statements to ensure consistency with the audited financial statements.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2010.

Disagreements with Management on Financial Accounting and Reporting Matters

There were no material disagreements with the Corporation's management on financial accounting and reporting matters during the audit.

Major Issues Discussed with Management Prior to Retention

There were no major accounting issues discussed with the Corporation's management prior to our retention.

Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Issues

We are not aware of any significant unusual transactions recorded by the Corporation, or of any significant accounting policies used by the Corporation related to controversial or emerging areas for which there is lack of authoritative guidance.

Serious Difficulties Encountered in Dealing with Management in Performing the Audit

There were no difficulties encountered in dealing with management in performing the audit.

Fraud and Illegal Acts

We are not aware of any matters that require communication. Furthermore, the Corporation's management has represented to us that they were not aware of any fraud or illegal acts for the period from October 1, 2009 to March 3, 2011 (see Appendix B – *Management's Representation Letter*).

Significant Deficiencies and Material Weaknesses in Internal Control

We have identified certain material weaknesses, significant deficiencies and other control deficiencies in internal control during the course of our audit which has been included in our separately issued Compliance and Internal Control Report, and Management Letters dated March 3, 2011.

Independence

We are not aware of any relationships between Ernst & Young and our related entities, and the Corporation, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

We confirm that we are independent with respect to the Corporation within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

The Board of Directors
Guam Housing Corporation

The completion of our audit of the Corporation's financial statements as of and for the year ended September 30, 2010 was accomplished through the effective support and assistance of the Corporation's finance, operational and administrative personnel.

This report is intended solely for the use of the Corporation's board of directors and management, the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

We would be happy to discuss the contents of this report and answer any questions you may have about these or any other audit related matters.

Very truly yours,

Ernst + Young LLP

Appendix

A – Summary of Adjusting and Post-Closing Journal Entries

B – Management’s Representation Letters

Guam Housing Corporation
Year End: September 30, 2010
Prior Period Adjusting Entries
Date: 10/1/2008 To 9/30/2009

PPA-1

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
H CAJE 3	9/30/2009	AVR Loss	1295 GUAM		K2		5,168,963.00	
H CAJE 3	9/30/2009	Land Held for Development	1400 GUAM		K2		10,555,000.00	
H CAJE 3	9/30/2009	Land Held for Development - Land Improvement	1402 GUAM		K2	10,555,000.00		
H CAJE 3	9/30/2009	Net Assets - Unrestricted	3022 GUAM		K2	5,168,963.00		
To record impairment loss on land held for development as of September 30, 2010.								
H CAJE 4	9/30/2009	Reserve for Loan Losses	1381 GUAM		E1	2,345,000.00		
H CAJE 4	9/30/2009	Reserve for Loan Losses	1381 GUAM		E1	95,528.00		
H CAJE 4	9/30/2009	Foreclosed Assets Held for Resale	1404 GUAM		E1		95,528.00	
H CAJE 4	9/30/2009	Net Assets - Unrestricted	3022 GUAM		E1		2,345,000.00	
To reverse excess allowance for loan losses and transfer of allowance to wetland property as of September 30, 2010.								
						18,162,476.00	18,162,476.00	
Net Income (Loss)			415,873.00					

The Board of Directors
Guam Housing Corporation

Appendix A, continued

Guam Housing Corporation
Year End: September 30, 2010
Adjusting entries
Date: 10/1/2009 To 9/30/2010

AJE-1

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Reference	
Net Income (Loss) Before Adjustments							671,818.00			
H CAJE 1	9/30/2010	A/P - Payroll	2004 GUAM	CAJE1		130,661.00				
H CAJE 1	9/30/2010	Salaries & Wages	5021 GUAM	CAJE1	131,628.00					
H CAJE 1	9/30/2010	Retirement Expense	5041 GUAM	CAJE1	5,244.00					
H CAJE 1	9/30/2010	Medicare Expense	5042 GUAM	CAJE1	1,889.00					
Per client's request, to properly accrue merit bonuses for FY1991-2010 as of 9/30/2010.					139,661.00	139,661.00	432,357.00	(139,661.00)		
H CAJE 2	9/30/2010	A/P - Others	2019 GUAM	H CAJE 2	5,936.00					
H CAJE 2	9/30/2010	Deferred Credit Ins. Claim	2277 GUAM	H CAJE 2	12,220.00					
H CAJE 2	9/30/2010	Other Revenue	4129 GUAM	H CAJE 2		5,936.00				
H CAJE 2	9/30/2010	Other Revenue	4129 GUAM	H CAJE 2		12,220.00				
Per client's request, to write-off unknown payable and payable related to Lads application fees from 1994-2001.					18,158.00	18,158.00	450,515.00	18,158.00		
R CAJE 1	9/30/2010	Accounts Payable - Payroll	2904A SPN	CAJE 1		8,899.00				
R CAJE 1	9/30/2010	Accounts Payable - Payroll	2904L SPN	CAJE 1		26,753.00				
R CAJE 1	9/30/2010	Salaries & Wages	5021A SPN	CAJE 1	5,475.00					
R CAJE 1	9/30/2010	Salaries & Wages	5021L SPN	CAJE 1	26,730.00					
R CAJE 1	9/30/2010	Retirement Expense	5041A SPN	CAJE 1	335.00					
R CAJE 1	9/30/2010	Retirement Expense	5041L SPN	CAJE 1	1,635.00					
R CAJE 1	9/30/2010	Medicare Expense	5042A SPN	CAJE 1	70.00					
R CAJE 1	9/30/2010	Medicare Expense	5042L SPN	CAJE 1	359.00					
Per client's request, to properly accrue merit bonuses for FY1991-2010 as of 9/30/2010.					34,642.00	34,642.00	415,873.00	(34,642.00)		
							192,361.00	192,361.00	415,873.00	(186,945.90)



GUAM HOUSING CORPORATION

Kotporasion Ginima' Guåhan

P.O. Box 3457 Hagåtña, Guam 96932

March 3, 2011

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96911

In connection with your audit of the basic financial statements of Guam Housing Corporation as of September 30, 2010 and for the year then ended, we recognize that obtaining representations concerning information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position, changes in financial position and cash flows of the Corporation in conformity with accounting principles generally accepted in the United States.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We recognize that, as members of management of the Corporation, we are responsible for the fair presentation of its financial statements. We believe that the statement of net assets, and the related statements of revenues, expenses, and changes in net assets and cash flows are fairly presented in conformity with accounting principles generally accepted in the United States applied on a basis consistent with that of the preceding years. We also recognize that, as members of management of the Corporation, we are responsible for establishing and maintaining effective internal control.

We have made available to your representatives all financial records and related data.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Governmental entities

We recognize that we are responsible for the Corporation's compliance with the laws, regulations, grant agreements, if any, and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

*590 S. Marine Corps Drive, Ste. 514 ITC Building, Tamuning, Guam 96931
Telephone Number (671) 647-4143/46 • Fax Number (671) 649-4144*

Guam Housing Corporation
Representation Letter

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Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior year uncorrected misstatements) relating to the current year financial statements.

Internal control

There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2010.

Minutes and contracts

The dates of meetings of directors, committees of directors and important management committees from October 1, 2009 to the date of this letter are as follows:

October 14, 2009	September 24, 2010
January 20, 2010	September 28, 2010
April 28, 2010	

We have made available to you all minutes of the meetings of directors and committees of directors, except those discussed in executive sessions.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Risks and uncertainties

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, *Risks and Uncertainties*.

Environmental liabilities

We have disclosed to you all significant environmental matters and have made available to you all significant relevant information related to them. The disclosures of environmental matters in the financial statements are adequate.

Guam Housing Corporation
Representation Letter

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Environmental liabilities

As discussed in Note 13 accompanying the financial statements, Lada Estates has experienced recurring illegal dumping of trash and refuse. Management recognizes this problem within the property and along the secondary roadways outlining the property. This situation may pose a potential negative impact on the environment.

The management of the Corporation has consulted with the Guam Environmental Protection Agency (GEPA) on potential environmental hazards. GEPA has offered to assist the Corporation in these environmental remediation matters and the Corporation is in the process of obtaining cost estimates for proper remediation and securing the property to help prevent future illegal dumping. Management is assessing the total cost of the cleanup and remediation. As of September 30, 2010, the Corporation has not recorded a provision for this liability in the accompanying financial statements. The Corporation believes that any liability it may incur would not have a material adverse affect on its financial condition or its results of operations.

Ownership and pledging of assets

There are no properties capitalized under capital leases. The Corporation has satisfactory title to all assets appearing in the statements of net assets. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged except as disclosed in the financial statements. All assets to which the Corporation has satisfactory title appear in the statements of net assets.

Loans and allowance for credit losses in the loan portfolio

Adequate provision has been made for credit losses inherent in the Corporation's loan portfolio that have been incurred as of the statement of net assets date.

The Corporation has no loans in the financial statements that should be classified as held for sale. The Corporation has the positive intent and ability to hold for the foreseeable future or until maturity or payoff all loans that are classified as held for investment.

Loans are correctly described in the financial statements, in all material respects, and represent valid claims against the debtors indicated arising on or before the date indicated in the financial statements.

As discussed in Note 4 accompanying the financial statements, in accordance with its loan portfolio policy, the Corporation should maintain an allowance for loan and lease losses of no less than 3% of the gross loan portfolio. In prior years, the allowance for loan and lease losses totaled approximately \$3.4 million, which is more than the average delinquent loan balance (more than 30 days in arrears or more) of approximately \$2.9 million at September 30, 2008 and 2009. A majority of these delinquent loans are fully secured by a first lien position on single family residential units. However, in determining the allowance for loan and lease losses, the Corporation did not measure the loss allowance as the difference between the carrying value of the loan and the fair value of the collateral less costs to sell.

Guam Housing Corporation
Representation Letter

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Loans and allowance for credit losses in the loan portfolio, continued

Historically, the Corporation has not written-off any significant portion of the loan balances upon foreclosure of their respective collaterals. Accordingly, a minimum allowance for loan and lease losses of 3% based on gross loan portfolio is considered adequate to cover possible future losses. As a result, the Corporation reversed the excess allowance for loan and lease losses totaling approximately \$2.3 million. The reversal was recorded as an adjustment to the beginning balance of net assets. Management believes that the adjusted balance of allowance for loan and lease losses at September 30, 2010 is sufficient to cover possible future loan losses.

Inventories

Inventories, including goods that are defective, slow-moving, obsolete or unusable, are stated at amounts not in excess of their estimated net realizable values.

Financial instruments

The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

1. The extent, nature and terms of financial instruments with off-balance-sheet risk.
2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.
3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

Deferred charges

We believe that all material expenditures that have been deferred to future periods are recoverable.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable other than those discussed in Note 12 on the notes accompanying the financial statements.

Guam Housing Corporation
Representation Letter

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Long-lived assets to be held and used, including amortizable intangible assets, continued

As discussed in Note 12 accompanying the financial statements, prior to October 1, 2009, the improvements on land held for development had a carrying value of approximately \$15.8 million. Lada Estates experienced recurring illegal dumping of trash and refuse. Due to physical damage and construction stoppage, the Corporation believes that the carrying amount of Lada Estates improvements is no longer recoverable and was written down to its estimated fair value of \$10.6 million. Accordingly, an impairment loss of approximately \$5.2 million was recognized as an adjustment in the beginning balance of net assets in prior years as this impairment loss should have been recognized in prior years because the construction has been halted since 2002. The new cost basis was based on expected settlement price which is equivalent to the recorded accounts payable to the contractor (Level 3 inputs under ASC 820).

Related party transactions

Transactions with related parties, as defined in ASC 850, *Related Party Disclosures*, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees, have been properly recorded and/or disclosed in the financial statements.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of the Corporation's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with ASC 450-20, *Contingencies - Loss Contingencies* other than those disclosed in financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

Guam Housing Corporation
Representation Letter

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Contingent liabilities, continued

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450, *Contingencies* other than those disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of net assets or gain contingencies reflected in earnings that are not in conformity with the provisions of ASC 450.

As discussed in Note 12 accompanying the financial statements, on January 27, 2004, the contractor filed a lawsuit against the Corporation and Government of Guam (GovGuam) for breach of contract arising out of the planning, design, and construction of the on-site and off-site infrastructure of Lada Estates. The contractor seeks for monetary compensation and damages for the construction of on-site and off-site infrastructure of Lada Estates totaling \$10.55 million (\$7.6 million for on-site infrastructure and against the Corporation and \$2.9 million for off-site infrastructure and against GovGuam) plus accrued interest and costs. The Corporation has recorded a liability payable to the contractor for \$10,555,000, which is reported as accounts payable in the accompanying statements of net assets. The contractor is claiming accrued interest of \$9,017,076 is due on the outstanding liability as of September 30, 2010. It is not possible to determine the ultimate outcome on accrued interest claimed by the contractor, and therefore, no provision was made in the financial statements.

On September 28, 2010, the Board of Directors approved and authorized the Settlement Agreement between the Corporation and the contractor. We believe and it is our legal counsel's opinion that no further monetary compensation or financial obligations will be required by the Corporation based upon proposed Settlement Agreement, which is still pending approval by the Superior Court of Guam.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2010, the Corporation had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2010 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Guam Housing Corporation
Representation Letter

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Fraud

We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Corporation.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between the Corporation and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Corporation's audit.

Conflicts of interest

There are no instances where any officer or employee of the Corporation has an interest in a corporation with which the Corporation does business that would be considered a "conflict of interest." Such an interest would be contrary to Corporation policy.

Supplementary information

We understand that the Management's Discussion and Analysis on pages 3 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We understand that you have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We understand that you did not audit the information and express no opinion on it.

We understand that the supplementary information contained in Schedules 1 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. We understand that the information had been subjected to auditing procedures applied in the audit of the basic financial statements.

Guam Housing Corporation
Representation Letter

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Pension and other postretirement benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes that constitute the plan.

We have disclosed to you all significant postretirement benefits other than pensions (OPEBs) promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan for each significant OPEB.

We do not plan to withdraw from the multiemployer benefit plan.

Other Representations

We have identified and disclosed to you, all laws, regulations and provisions of contracts and grant agreements, if any, that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

We have identified and disclosed that there are no violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have followed applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.

The financial statements properly classify all funds and activities.

Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.

Investments are properly valued.

Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.

Guam Housing Corporation
Representation Letter

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Subsequent events

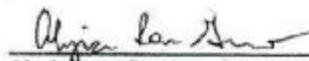
Subsequent to September 30, 2010, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Corporation's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the Corporation.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of Guam Housing Corporation and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Martin Benavente, President

 3/3/2011

Alysia Leon Guerrero, Accounting Manager