



Guam Housing Corporation

A Report to Our Citizens

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GHC's Mission

Founded in 1965 Guam Housing Corporation was established for the purpose of providing mortgage financing for first time homeowners in the low to moderate income range, borrowers whom may otherwise not be able to obtain financing.

As part of it's program Guam Housing Corporation has also acquired 115 houses and 24 apartment units for providing rental opportunities to low to moderate income families.

GHC's Goals

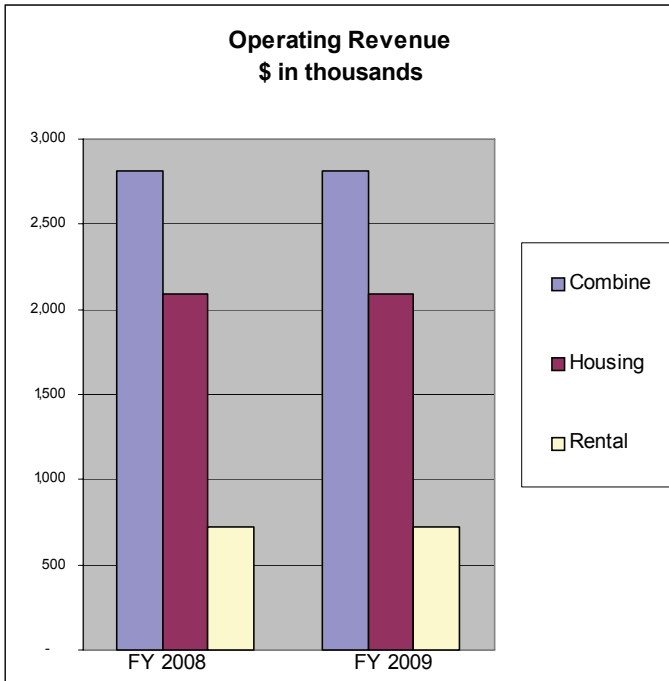
- Ensure that everyone has the opportunity to be a home owner and that the corporation has the resources to fund these loans;
- To assist in securing funding sources to assist low to moderate income families with lower interest rates, infrastructure needs or to seek newer technologies for lower costs in home construction;
- To re-energize the First Time Homeowner Relief Act;



Demographics

The corporation is servicing loans for approximately 457 first time homeowners which include families:

- From all professions, teachers, police, fire, politicians, etc....
- From partnerships with USDA
- In conjunction with other lending institution with reference to the Mortgage Revenue Bond
- In partnership with the Department of Housing and Urban Development with respect to the Down Payment and Closing Cost program



Inclusive of housing and rental operations the revenue for FY 2008 was \$2.8 million. As the graph reflect, approximately \$2.1 million comes from lending or housing operations with the balance of \$723 thousand from rental operations; FY 2009 would show \$2.8 million which similarly reflects \$2.1 million from housing operations with \$718 thousand from rental receipts. It would show that approximately 26% of revenues are generated from rental operations.

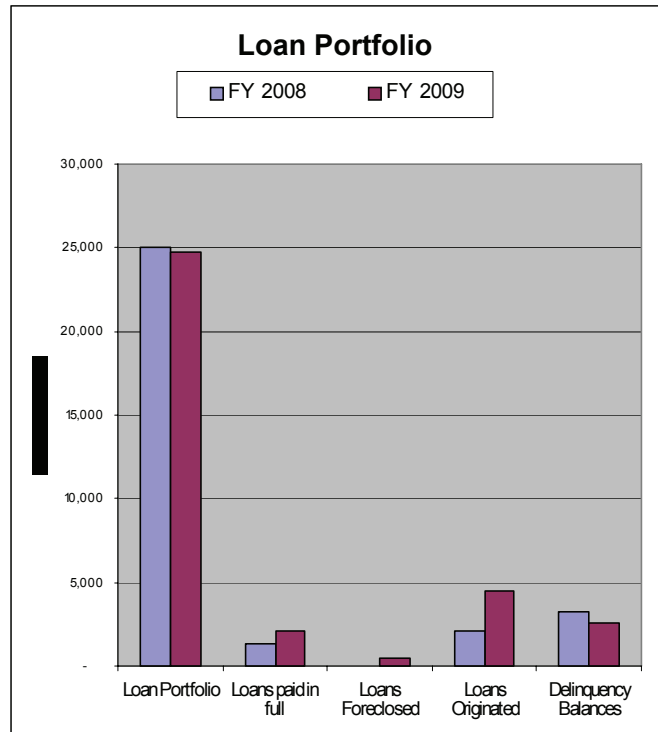
A major renovation initiative was scheduled for the 24 unit apartment complex with half or 12 units being completed in FY 2009 and the other half scheduled for renovation in FY 2010. The scope of work includes the renovation of the bathrooms, cabinets, doors, floor tile, typhoon shutters and paint. The cost of the first phase was \$252 thousand

The vacancy rate for rental operations in FY 2008 was 12.79% and 14.06% in FY 2009, it may be noted that this rate stems from the renovation period or the time leading up to the work.

The rental delinquency rate for FY 2008 was 4.75% and 6.21% for FY 2009.

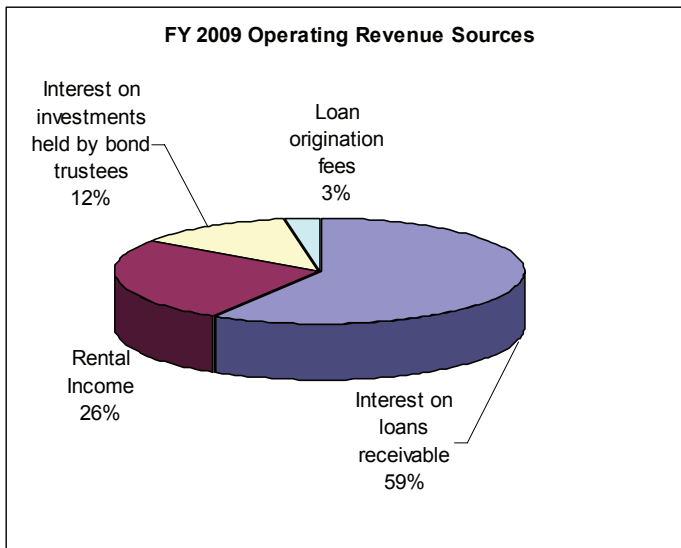
The total loan portfolio decreased by \$278 thousand or 1.11% from \$25.02 million in FY 2008 to \$24.75 million in FY 2009. Although GHC realized an increase in loan origination activity over the past year it was offset by the increase in loan payoffs, foreclosures, write offs and decrease in delinquency.

- Loan Origination increased by 114% or \$2.3 million from FY 2008 to \$4.4 million in FY 2009. In the later part of FY 2008, the Board approved and adopted a provision allowing GHC's management to adjust loan interest rates to reflect the current prevailing rate. As a result of this policy change, GHC has been able to assist more families purchase or construct their homes in FY 2009.
- Total paid off loans increased from \$1.2 million in FY 2008 to \$2.1 million in FY 2009
- Delinquency decreased from \$3.2 million, (13.15%) in FY 2008 to \$2.5 million, (10.61%) in FY 2009
- Foreclosure totaled \$500 thousand in FY 2009 and none in FY 2008.



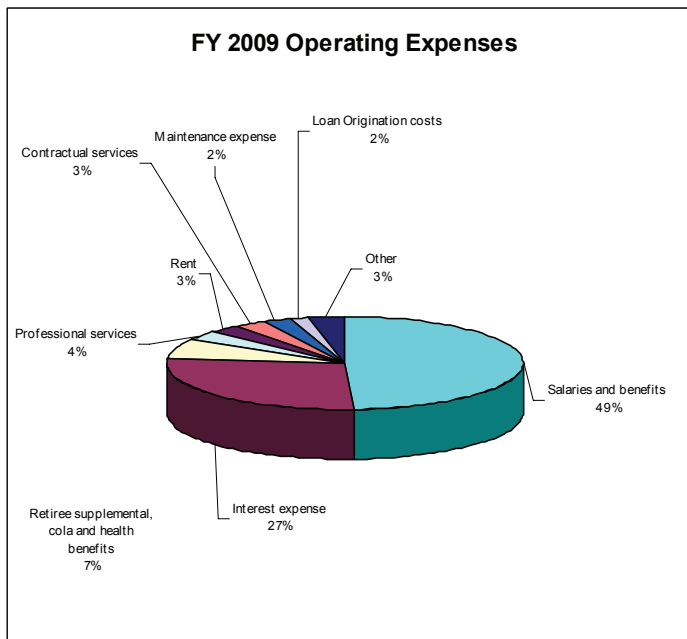
Guam Housing Corporation's Revenue and Expenses

Operating Revenue Sources (In Thousands)



Operating Revenue Sources (\$ in thousands)	FY 2009	FY 2008
Interest on loans receivable	\$ 1,650	\$ 1,703
Rental Income	\$ 728	\$ 733
Interest on investments held by bond trustees	\$ 351	\$ 328
Loan origination fees	\$ 81	\$ 52
Total Operating Revenue	\$ 2,810	\$ 2,816

Operating Expenses (In Thousands)



Operating Revenue Sources (\$ in thousands)	FY 2009	FY 2008
Salaries and benefits	\$ 1,175	\$ 1,248
Interest expense	\$ 654	\$ 715
Retiree supplemental, cola and health benefits	\$ 165	\$ 182
Professional services	\$ 84	\$ 67
Rent	\$ 73	\$ 72
Contractual services	\$ 66	\$ 86
Maintenance expense	\$ 57	\$ 53
Loan originations costs	\$ 45	\$ 30
Other	\$ 77	\$ 80
Total Operating Expenses	\$ 2,396	\$ 2,533

An independent audit was conducted, resulting in a clean audit opinion

Challenges and Economic Outlook

Guam is surfacing from economic hard times that probably started with the Base Re-alignment and closure Commission, however, in line with this military expansion Guam now appears to be moving up the economic ladder *fast*, demonstrating a bright future with long term growth, strong employment, and increasing wages, however it is also seeing higher prices on everything from food to real estate.

Some of the issues the Corporation continues to struggle with is in meeting these demands is in securing lending capital. In the early years \$30 million was sufficient to fund greater than 600 first time homeowners, a time when the typical loan was a mere \$ 50k. With the routine mortgage currently hovering around \$275 thousand we can now assist only around 109 families, a mere 18%.

The corporation remains alert to possible solutions including soliciting funds from the Federal Home Loan Bank of Seattle whom has been a major player in the past. The concern with this approach is that the cost of funds associated with long term financing is usually greater than the rate of the mortgage it is intended to service.

Another primary challenge is in the rising cost of real estate, i.e. the cost of land, cost of construction and cost of infrastructure. For a large part many potential borrowers in the low to moderate income range are priced out of the market. There are programs to assist the lowest income families, high income families are self sufficient, but the moderate income folks are left out.

One possible solution, as is practiced in numerous municipalities across the nation, is in the implementation of an excise on real estate sales and capturing interest on tenant security and earnest money deposits. Funds from these such programs can be used for funding sources for mortgages, interest rate subsidies, or infrastructure projects.

