

September 30, 2010

The Board of Directors
Marshall Islands Development Bank

Dear Members of the Board of Directors:

We have performed an audit of the statement of sources and uses of funds of the Mutual Self-Help Housing Program (the Program) for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated September 30, 2010.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Program is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated December 17, 2008, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Program’s financial statements for the year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

We considered the Program’s 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 Program’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program’s internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2009, we are not aware of any significant changes in accounting estimates or in management’s judgments relating to such estimates.

SIGNIFICANT ACCOUNTING POLICIES

The Program's significant accounting policies are set forth in Note 1 to the Program's 2009 financial statements. During the year ended September 30, 2009, there were no significant changes in previously adopted accounting policies or their application.

OTHER INFORMATION IN THE ANNUAL REPORT TO SHAREHOLDERS

When audited financial statements are included in documents containing other information such as the Program's Annual Report to Stakeholders, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the Program's Annual Report to Stakeholders and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Program's 2009 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2009.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Program's management and staff and had unrestricted access to the Program's senior management in the performance of our audit.

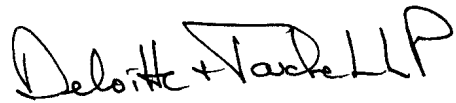
MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Program's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Program is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix I, a copy of the representation letter we obtained from management.

* * * * *

This report is intended solely for the information and use of management, the Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, slightly stylized font.



MARSHALL ISLANDS DEVELOPMENT BANK

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Board of Directors

Clyde Heine Vice Chairman
 Hiroshi Bukida Director
 Dennis Momotaro Director

Danny Wase Director
 Philomena Muller Director
 Amon Tibon Managing Director

September 30, 2010

Deloitte & Touche LLP
 361 South Marine Drive
 Tamuning, Guam 96913

We are providing this letter in connection with your audit of the statement of sources and uses of funds of the Mutual Self-Help Housing Program (the Program) for the year ended September 30, 2009, for the purpose of expressing an opinion as to whether the financial statement presents fairly, in all material respects, the results of operations of the Program prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the financial statement of results of operations of the Program prepared on the basis of cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than GAAP.
- b. The design and implementation of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. The review and approval of the financial statement and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statement was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.

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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statement referred to above is fairly presented in conformity with the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.

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2. The Program has made available to you all:
 - a. Financial records and related data for all financial transactions of the Program. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Program and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statement has been prepared.
 - b. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
3. There has been no:
 - a. Action taken by management that contravenes the provisions of federal laws and Republic of Marshall Islands (RepMar) laws and regulations or of contracts and grants applicable to the Program.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statement.
4. Management has not performed a formal risk assessment, including the assessment of the risk that the financial statement may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Program and do not believe that the financial statement is materially misstated as a result of fraud.
5. We have no knowledge of any fraud or suspected fraud affecting the Program involving (a) management, (b) employees who have significant roles in internal control over financial reporting, or (c) others if the fraud could have a material effect on the financial statement.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Program received in communications from employees, former employees, analysts, regulators, or others.
7. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*), and we have not consulted legal counsel concerning any such matters for the year ended September 30, 2009 and up through the date of this letter.
8. There are no reportable conditions, including significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect the Program's ability to initiate, record, process, and report financial information.
9. We are responsible for compliance with RepMar laws, rules and regulations, and provision of grants and contracts relating to the Program's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Program is responsible for maintaining accounting and administrative control over financial reporting.

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10. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, matters less than \$4,400 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statement.

12. There are no transactions that have not been properly recorded in the accounting records underlying the financial statement.
13. There are no:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Program is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
14. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statement or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*).
15. The Program has complied with all aspects of contractual agreements that may have an effect on the financial statement in the event of noncompliance.
16. We are aware of our requirement to disclose to you any change in the Program's internal control over financial reporting that occurred during the Program's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Program's internal control over financial reporting and we advise you that no such changes have occurred that are that are reported to you.
17. The Program has no arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements. We do not require collateralization on the Program's accounts due to our confidence in the financial strength of the respective banking institution utilized.

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- 18. We represent to you that, subsequent to September 30, 2009, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses).
- 19. Management has obligated, expended, received, and used public funds of the Program in accordance with the purpose for which such funds have been appropriated or otherwise authorized by federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by federal law.
- 20. No evidence of fraud or dishonesty in fiscal operations of the Program has been discovered.
- 21. No events have occurred subsequent to September 30, 2009 to the date of our signatures below that requires consideration as adjustments to or disclosures in the financial statement.

Very truly yours,



Amon Tibon
Managing Director

9/30/10

Date



Jaymie Ruiz
CFO

9-30-10

Date