HOUSING AND URBAN DEVELOPMENT COORDINATING COUNCIL

I. STRUCTURE OF THE HOUSING SECTOR

II. HOUSING SITUATION

III. FACTORS CONTRIBUTING TO HOUSING SHORTAGE

IV. NEW POLICY DIRECTIONS

V. HOUSING TARGETS

VI. INITIATIVES IN HOUSING

6.1 PRIVATE SECTOR-LED PROGRAM
6.2 GOVERNMENT SECTOR-LED PROGRAM

VII. PENDING ISSUES

VIII. OVERSEAS DEVELOPMENT ASSISTANCE
### FUNCTIONS OF THE COUNCIL

- Formulate national goals and strategies
- Supervise key shelter agencies
- Monitor, review and evaluate sector target
- Encourage private sector and evaluate sector target
- Advocacy for necessary legislation
- Ensure equitable distribution of housing benefits in the geographic regions nationwide
PROJECTED HOUSING NEED

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>UNITS</th>
<th>VALUES (In Billion Pesos)</th>
<th>ANNUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>UNITS</td>
</tr>
<tr>
<td>A. Housing Backlog</td>
<td>1,126,203</td>
<td>225.24</td>
<td>187,701</td>
</tr>
<tr>
<td>B. Future Need</td>
<td>2,223,739</td>
<td>444.75</td>
<td>370,623</td>
</tr>
<tr>
<td>C. Upgrading Need</td>
<td>12,407</td>
<td>2.48</td>
<td>2,068</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,362,349</td>
<td>672.47</td>
<td>560,392</td>
</tr>
</tbody>
</table>

Average Unit Cost: P 200,000
Factors Contributing to the Country's Housing Shortage

I. High Population Growth Rate

- Population as of May 2000 = 75.33 Million
- Annual National Growth Rate based on 2000 Census on Population = 2.02
- Annual Urban Growth Rate = 5.10%
- Urban Population = 52%
- Average annual growth in households = 250,000HH/year

II. Proliferation of Squatter Colonies

- Population of Informal Settler Families nationwide = 1.225 M HH
- Population of Informal Settler Families in MM = 716,165HH

III. Spiraling Cost of Land and Construction Materials

- Average Growth Rate in the Average Weighted Price of Land in MM from 1986 to 1995 = 37%

Factors Contributing to the Country's Housing Shortage

IV. Low Level of Housing Production

- Total Housing Production from 1987-2000 = 1,198,730 units
- Average Housing Production from 1987-2000 = 91,518 units
- % of Annual Housing Production to the Annual Housing Need = 91,518 units/560,000 units = 16.34%
- % Average Annual Housing Production to Projected Annual Household Growth = 91,518/250,000 = 36.61%

V. Existence of Unoccupied Housing Units

- 100,000 units nationwide

VI. Limited Financing
GOVERNMENT APPROPRIATION TO HOUSING 1993-2000
(In Million Pesos)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NATIONAL BUDGET (A) (In Billion Pesos)</th>
<th>APPROPRIATION TO HOUSING (B) (In Billion Pesos)</th>
<th>PERCENTAGE (%) B/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>209,437.00</td>
<td>0.849</td>
<td>0.41</td>
</tr>
<tr>
<td>1994</td>
<td>322,685.00</td>
<td>1.384</td>
<td>0.43</td>
</tr>
<tr>
<td>1995</td>
<td>387,398.00</td>
<td>2.065</td>
<td>0.53</td>
</tr>
<tr>
<td>1996</td>
<td>394,855.20</td>
<td>1.167</td>
<td>0.30</td>
</tr>
<tr>
<td>1997</td>
<td>433,817.54</td>
<td>1.973</td>
<td>0.46</td>
</tr>
<tr>
<td>1998</td>
<td>546,743.82</td>
<td>2.940</td>
<td>0.54</td>
</tr>
<tr>
<td>1999</td>
<td>579,481.00</td>
<td>1.712</td>
<td>0.30</td>
</tr>
<tr>
<td>2000</td>
<td>668,094.14</td>
<td>4.623</td>
<td>0.70</td>
</tr>
</tbody>
</table>

CONTRIBUTION OF SSS, GSIS AND HDMF TO THE UHLP NOVEMBER 1987 TO APRIL 1995 = 8 YEARS

<table>
<thead>
<tr>
<th>FUNDERS</th>
<th>CONTRIBUTION (BILLION)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSS</td>
<td>30.06</td>
<td>71.39</td>
</tr>
<tr>
<td>GSIS</td>
<td>6.52</td>
<td>15.46</td>
</tr>
<tr>
<td>HDMF</td>
<td>5.54</td>
<td>13.15</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42.12</td>
<td>100.00</td>
</tr>
</tbody>
</table>

AVERAGE ANNUAL CONTRIBUTION = P 5.27 B
Multi-Window Lending System

Objective

- Harness the resources and expertise of the private financial institutions in order to enhance the housing program’s sustainability and service a greater number of borrowers

Implemented an improved version of the Multi-Window Lending Scheme (MWLS)

- Infused initial funding of P 40 Billion from LBP, DBP, SSS, GSIS, and HDMF to be augmented by private sector
- Provided risk-sharing by instituting contract-to-sell scheme with buy-back provision over a 2 year seasoning period
- Supported private sector initiative to set up a guaranty fund for back-up cash flow guaranty for funders
- Rationalized and optimized use of guaranty system as a credit enhancement measure
- Identified target sectors where lending institutions will specialize
- Several lending windows

Multi-Window Lending System

Responsibilities of Lending Windows
1. Release the housing loan proceeds
2. Undertake the servicing of mortgage accounts and absorb related risks
3. Undertake foreclosure
4. Pay the funders
5. Monitor payment behavior of borrowers

Responsibilities
1. Process loan applications and loan documents

GFIs enter into a MOA to determine funding commitments for the incoming year

FUNDERS enter into a uniform funding agreement

ORIGINATORS
Branch Offices of the Banks, Developers

HOME BORROWERS
LOAN PACKAGES

On March 13, 2000, the HUDCC Council approved the adoption of the following loan packages:

- **Socialized**
  - P 180,000 and below at 9% interest per annum

- **Low-cost**
  - Above P 180,000 but not more than P 500,000 (above P 180,000 to P250,000 – 12% and above P250,000 to P 500,000 – 16%)

- **Middle**
  - Above P 500,000 to P 2M – market rate

- **High**
  - Above P 2.0M to P 5.0 M – market rate

AMORTIZATION SUPPORT SUBSIDY

**LEVEL A**

Eligible borrower with a gross family income not exceeding P 8,000 per month, who shall be granted loans not exceeding an amount twenty percent (20%) lower than the socialized housing package, shall be entitled to the following amortization support during the first five years of the loan amortization period.

<table>
<thead>
<tr>
<th>AMORTIZATION PERIOD</th>
<th>AMORTIZATION SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Months 1 to 12</td>
<td>35%</td>
</tr>
<tr>
<td>Months 13 to 24</td>
<td>30%</td>
</tr>
<tr>
<td>Months 25 to 36</td>
<td>25%</td>
</tr>
<tr>
<td>Months 37 to 48</td>
<td>20%</td>
</tr>
<tr>
<td>Months 49 to 60</td>
<td>15%</td>
</tr>
</tbody>
</table>
LEVEL B

Eligible borrower with a gross family income not exceeding P 10,000 per month, who shall be granted loans of over the maximum loanable amount under the lowest/socialized loan package, shall be entitled to the following amortization support for the first five years of the loan amortization period.

<table>
<thead>
<tr>
<th>AMORTIZATION PERIOD</th>
<th>AMORTIZATION SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Months 1 to 24</td>
<td>25%</td>
</tr>
<tr>
<td>Months 25 to 36</td>
<td>20%</td>
</tr>
<tr>
<td>Months 37 to 48</td>
<td>14%</td>
</tr>
<tr>
<td>Months 49 to 60</td>
<td>7%</td>
</tr>
</tbody>
</table>

POLICY DIRECTIONS

Housing programs shall now depart from unfavorable past practices. Our program shall be:

- Market oriented
- Demand driven
- Private sector led
- Decentralized and deregulated
- Sustainable
HOUSING TARGETS

Providing shelter security to 350,000 homeless households annually

- A house and lot package
- A house only
- Or lot only
- Infuse P 90 Billion annually into the housing sector

TWO PRONGED PROGRAM

I. Private Sector Led Program –

will cater to the housing needs of the formal sector, (i.e. members of SSS, GSIS and Pag-IBIG) through the mobilization of funds under the Multi-Window Lending System
A. Mobilization of funds for housing

- Adopted the modified Multi-Window Lending System
- Adopted the market specialization
- Adopted a buy-back provision
- Supported the establishment of a private sector Guaranty Fund

Initiatives in Housing Finance: Providing Foundation for the Housing Sector

- Provided liquidity to developers
- Floated P 4 Billion Pag-IBIG bonds
- Obtained Presidential authority to float P 10 Billion socialized housing bonds
- Obtained Presidential authority to issue P 10 Billion mortgage backed securities
- Pursued the establishment of a Secondary Mortgage Market

Important provisions:
  - transfer of assets and collateral from the seller to the special purpose vehicle shall be exempt from documentary stamp tax and value added tax
  - Subsequent transfers of securities issued by the SPV after the original issuance shall be exempt from the documentary stamp tax
  - The SPV shall not be classified as a bank or quasi-bank under the provision of the new Central Bank Act, General Banking Act, and National Internal Revenue Code of 1997
  - Securities shall not be categorized as deposit substitutes and shall not be subject to gross receipts tax or any other tax imposed in lieu of the GRT
Initiatives in Enhancing Access to Housing

Stimulated interest in housing

• Implemented aggressive marketing campaign to target sectors
  PNP, AFP, and other government employees, Private sector employees, members of unions, members of cooperatives, local government units, OFWs, security guards, household help, tricycle drivers

• Adopted institutional approach to take advantage of economies of scale in processing housing loans

• Disposition of unoccupied housing units “as is where is”

Initiatives in Enhancing Access to Housing

Made housing units desirable

• Sets standards for cost design and site suitability

• Adopted comprehensive approach to relocation of informal settlers

• Obtained Presidential authority to issue P 10 Billion mortgage backed securities

Made housing units affordable

• Reduced interest rate of 9% in a manner that will not affect the market system

• Extended amortization period from 25 to 30 years

• Adopted graduated amortization scheme

• Provided alternative modes of acquiring shelter security (CMP, rental housing)
Initiatives in Improving Systems and Processes in the Housing Sector

Worked for the reduction of red tape

- Worked for the issuance of EO which reduced the number of months to acquire housing permits from a 1,395 days in the past to 183 days at present
- Obtained Presidential approval in principle for automatic conversion of land classified as residential provided such classification has been approved by HLURB

Revised development standards so that these standards will be more realistic and easier to enforce

Set up a system to regularly monitor operations

Implemented reforms to clean-up books of shelter agencies and strengthen their financial position

Worked for the development of a housing website

TWO PRONGED PROGRAM

II. Government Sector Led Program

Will cater to housing needs of the informal sector by utilizing funds from the GAA

Initiatives under the Government Sector-Led Program

- Accelerated the provision of land tenure and shelter security
- Revitalized the Community Mortgage Program
- Accelerated the implementation of government initiated turnkey projects
- Implemented innovative financing schemes for government led housing programs
PENDING ISSUES

Problems encountered that are beyond our control:

• Budgetary support from government for housing programs of the informal sector is not sufficient to cover their housing need.

• Private banks and other lending institution have become hesitant in providing development financing for private developers due to poor credit rating of most developers as a result of the Asian financial crisis.

• GFIs have suspended its approval of loans for developers with past due accounts in view of a Presidential directive issued on 15 August 2000.

• Problems relative our plans to generate funds through bond flotation.

HOUSING FINANCE FOR SHELTER DEVELOPMENT

ELIGIBLE PARTICIPANTS: FAMILIES IN DPUCP NEW SITES AND SERVICES PROJECTS WHO CAN DEMONSTRATE ABILITY TO PAY FOR THE LOAN

LOAN AVAILMENT RATE ESTIMATED AT 25%

AVERAGE LOAN SIZE: PHP 50,000

LOAN MATURITY: 25 YEARS