



Florencio R Carandang Jr

# Philippines CMP helps poor access home ownership



**For more than two decades, the Philippines' Community Mortgage Program (CMP) has successfully delivered home ownership to many lower-income families that live in under-developed areas.**

Florencio R Carandang Jr, Manager, Planning Department, Social Housing Finance Corporation, The Philippines told attendees at the Asia Pacific Union for Housing Finance conference in Ulaanbaatar, Mongolia that the government should do more for the poor.

"Barely one per cent of the national budget is allocated to housing," he said.

Carandang said that more than 3.8 per cent of households (714,000) in the Philippines live in informal settlements while 5.65 per cent of urban households (74,000) live in similar circumstances.

"Provision of housing and shelter security aids poverty reduction, that's why we should be doing more,"

## Community mortgage program

According to Carandang, Philippines' Community Mortgage Program (CMP) that was initially launched in 1988 through its National Home Finance Corporation has helped many poor urban households acquire title to their properties in "blighted and depressed areas."

The CMP allows organized communities to borrow as a group to purchase land by using the land as collateral for their loans. The community may also borrow for site development and housing construction or improvements. The program also assists communities who voluntarily choose to relocate themselves.

The communities receive maximum 25 year loans at six per cent interest. Initially, The loan ceiling was set at P30,000 (\$US1,100) for raw land and P45,000 (\$US1,650) for developed lots per family. However, the ceiling was later increased to P60, 000 for developed lots in highly-urbanized areas.

Developed lots are defined as those lots with access to electricity and potable water.

## How communities qualify

To qualify for the program, the community must fulfill certain requirements including the following:

1. Registering itself as an association with the appropriate government agency

2. Securing a voluntary agreement to sell from the landowner
3. The loan amount is based on the lowest value from the following factors:
  - a. Loan affordability of the association – roughly calculated at twenty times the total monthly income of the members
  - b. If the property is currently occupied by the proposed beneficiaries, no appraisal is needed provided the purchase price does not exceed P6 million (\$US240,000).
4. Submission of loan documents, including lease purchase agreements signed with individual member beneficiaries.

## Social organization's role

Carandang said the community associations play a critical in the success of CMP projects. "They collect the monthly payments from their members and turn the money over to the National Home Mortgage Finance Corporation (NHMFC)."

The associations also keep individual records of paid and unpaid payments. "As long as the collective titles to the property remain with the association, any payment default by its members will be considered a default of the whole membership."

If a member should default, the association is responsible for finding a qualified substitute borrower to assume the defaulting members rights and obligations.

## NGO role

Under the CMP program, the community association requires the services of a loan originator, which may be a non-government organization (NGO), a local government unit or other government and commercial entities. The originator helps the community organize and prepare documents.

The originator also agrees to an involvement warranty committing itself to continue assisting the community for at least two years.

## Helped more than 225,000 families

From its inception until April 2011, the CMP program has successfully participated in 1,942 projects and has helped 226,208 low-income families all over the Philippines.

**Chart I : Commercial mortgage projects 1989 to 2011<sup>1</sup>**

Covering Period	Projects	Families	Loan Amount (mIn PHP)
<b>A. NHMFC Accounts Transferred to SHFC</b>			
1989 - September 2005	1,307	162,986	5,523.57
<b>B. SHFC Accounts</b>			
October 2005 - December 2009	503	50,785	2,742.46
January - December 2010	71	7,109	396.92
January - April 2011	5,328	318.77	
<b>TOTAL</b>	<b>1,942</b>	<b>226,208</b>	<b>8,981.72</b>

<sup>1</sup> Charts one and two from Social Housing Finance Corporation web-site

**Chart II : Commercial mortgage program regional distribution**

Region	Projects	Families	Loan Amount (PHP)				Total
			Lot Acquisition	Site Development	House Construction	Loan Assistance	
NCR	961	84,458	4,115,239,901.34	8,863,175.59	6,916,351.86	9,255,242.11	4,140,274,670.90
CAR	5	692	35,645,759.27				35,645,759.27
I	2	258	17,700,000.00				17,700,000.00
II	30	5,245	198,090,429.78	293,599.25			198,384,029.03
III	113	23,010	668,651,844.49	24,901,347.76	4,849,396.00	85,228.00	698,487,816.25
IV-A	268	41,729	1,505,557,212.87	37,789,273.48	17,080,000.00	1,715,541.23	1,562,142,027.58
IV-B	61	8,639	350,722,135.67			354,641.07	351,076,776.74
V	34	6,642	217,944,873.20	1,891,991.93		505,988.00	220,342,853.13
VI	115	12,147	497,249,429.42			265,436.60	497,514,866.02
VII	81	6,132	217,760,171.31			283,082.26	218,043,253.57
VIII	15	2,237	83,718,847.67			79,869.22	83,798,716.89
IX	48	6,921	198,046,176.55	1,253,422.54		199,933.75	199,499,532.84
X	34	3,951	91,715,709.61				91,715,709.61
XI	112	15,347	441,611,669.42			614,173.44	442,225,842.86
XII	39	6,010	161,610,324.62	900,000.00			162,510,324.62
CARAGA	19	2,128	46,749,027.37				46,749,027.37
ARMM	5	662	15,612,026.50				15,612,026.50
<b>TOTAL</b>	<b>1,942</b>	<b>226,208</b>	<b>8,863,625,539.09</b>	<b>75,892,810.55</b>	<b>28,845,747.86</b>	<b>13,359,135.68</b>	<b>8,981,723,233.18</b>

## Successful program

Carandang said that CMP loan programs have experienced overwhelming financial success. “Since 1989, the collection rate has been about 76 per cent and during the latest 12 months, it’s been 85 per cent,” he said.

Perhaps more importantly, Cabandang told the gathering in Mongolia that the CMP has transformed community members’ lives. “They are now much more confident and are

happy to pursue self-improvement through education, income generation activities and may have become much more health conscious,” he said.

He closed by saying poverty does not have to be permanent and emphasized that poverty is everybody’s business whether it be the government, private sector and the poor themselves. The CMP shows that:

“Alone we can accomplish little... together we can do so much!”

