Community-Based Housing Finance Initiatives

The Case of Community Mortgage Programme in Philippines

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FOR A BETTER URBAN FUTURE

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Community-based Housing Finance Initiatives –
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ABBREVIATIONS AND ACRONYMS

CA	Community Association
CBTAP	Community-Based Tenure Assistance Program
CDA	Cooperative Development Authority
CER	Collection Efficiency Rate
CMP	Community Mortgage Program
CLASP	Community Land Acquisition Support Program
FIES	Family Income and Expenditure Survey
GFI	Government Financial Institution
GLAD	Group Land Acquisition and Development
GSIS	Government Service Insurance System
HDMF	Home Development Mutual Fund
HGC	Home Guaranty Corporation
HLURB	Housing and Land Use Regulatory Board
HUDCC	Housing and Urban Development Coordinating Council
LTAP	Land Tenure Assistance Program
MTPDP	Medium-Term Philippine Development Plan
NHA	National Housing Authority
NHMFC	National Home Mortgage Finance Corporation
NSP	National Shelter Program
RROW	Road Right of Way
SEC	Securities and Exchange Commission
SHFC	Social Housing Finance Corporation
SSS	Social Security System
TCT	Transfer of Certificate Title
UDHA	Urban Development and Housing Act
UHLP	Unified Home Lending Program

FOREWORD

The global housing crisis, especially in the developing world, is getting worse by the day making the right to adequate shelter a quest that is becoming more and more difficult to meet, despite the targets set by the Millennium Development Goals.

Such is the rate of urbanization – the influx of people into towns and cities, and their natural growth – that the world has now reached a point where for the first time now, half the global population lives in towns and cities.

By the year 2050, six billion people – two-thirds of humanity – will be living in towns and cities. And as urban centres grow, the locus of global poverty is moving into towns and cities, especially into the burgeoning informal settlements and slums, of the developing world. In the developing world, this is happening so fast that slums are mushrooming in what is termed the urbanization of poverty.

This makes it imperative that we use every means at our disposal to ensure that we at UN-HABITAT, and our partners, keep applying ourselves to Target 11 of the Goals – to achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020.

And for this, we need innovative governance, and local thinking and reporting if we are to bring hope to the urban poor. Equally importantly, we need to support our towns and cities, indeed our countries, to adopt pro-poor policies and strategies that will obviate the need for further slum creation.

It is against this background, that the Human Settlements Financing Tools and Best Practices series focuses on the development of know-how, knowledge and tools in human settlements financing, from which Member States can learn in delivering affordable housing to the poor.

Anna Tibaijuka,
Executive Director, UN-HABITAT
Under-Secretary-General of
the United Nations,

CHAPTER 1

INTRODUCTION

The past decades have seen the Philippines experience a remarkable growth in its urban population. Between 1960 and 1995, it is estimated that the urban population grew by 5 percent before slowing down to 3.1 percent in recent years. Notwithstanding the difficulties of living in overcrowded places, people continue to migrate to urban areas in search of better employment and income opportunities. Rural-urban migration is further fuelled by the indiscriminate conversion of prime agricultural lands for residential, commercial and industrial uses. With smaller lands to till, farmers and farmhands are forced to find alternative employment in urban areas.

Migration of people from the rural to urban areas puts pressure on the demand for housing in these places. Many urban poor households who are unable to afford the high price of land and housing have resorted to living in slum and squatter areas. In Metro Manila, where the country's capital is situated, it is estimated that nearly 30 percent live in informal settlements. It is expected that housing and land tenure security problems will continue to worsen in these areas particularly for urban poor families.

The Philippine government recognises the basic human need for decent shelter. Housing contributes not only to the economic improvement of a household but also to its social well-being. For this reason, the government initiated community-based housing programmes to address the problem of housing and land tenure security among poor households. These programmes include the Community Mortgage Program, the Community Land Acquisition Support Programme, the Land Tenure Assistance Programme and the Group Land Acquisition Programme. Under these programmes, community resources have been mobilised to resolve land tenure security problems for illegal settlers.

Among these community-based housing programmes, the Community Mortgage Programme remains the most availed of by informal settlers who want to own the land they have lived on. The programme is an innovative financing scheme that operates under the concept of community mortgage to allow households in the low-income sector of society to have access to decent housing.

It is the objective of this report to look into the Community Mortgage Programme as a socialised housing programme and to assess its impact on the provision of housing for the marginalised poor. The paper is divided in six sections. The next section gives an overview of the housing sector in the Philippines. Section III presents the different community-based housing programmes implemented by the Philippine government to address the problem of illegal settlers and land tenure security. Section IV provides the discussion on the Community Mortgage Programme. In Section V, the feasibility of linking the Community Mortgage Programme to the formal banking system is analysed. Section VI looks into the possibility of replicating the Community Mortgage Programme in other countries facing the same housing problems as the Philippines. The last chapter is the conclusion.

CHAPTER 2

OVERVIEW OF THE PHILIPPINE HOUSING SECTOR

A. HOUSING DEMAND

The average annual population growth rate of the Philippines declined from 3.0 percent in the 1960s to 2.3 percent in the 1990s. Between 2000 and 2007, the population further slowed down to 2.0 percent, the lowest average annual growth rate in the past five decades (Census of Population 2007). Filipinos are currently estimated to number 88.6 million. This figure is expected to reach 111.8 million by 2020. Almost 63 percent of the country's total population or an equivalent 53 million live in urban areas. Of these, 20 percent reside in Metro Manila, the most urbanised region of the country. By 2030, the Philippines' urban population is expected to reach 93.9 million or 76.7 percent of the country's total population (UN World Urbanisation Prospects: The 2007 Revision Population Database).

The rapid rise of the country's population has put pressure on the demand for basic needs, including shelter. Housing needs were estimated to be 3.6 million units between 2001 and 2004. For the period 2005-2010, the demand is projected to reach 3.75 million units (Table 1). This figure is broken down as follows: 1) housing backlog of 0.98 million units; 2) substandard housing units in need of upgrading of 0.19 million; and 3) housing units for new households of 2.6 million. Replacement housing and housing for informal settlers account for 59.8 percent of the housing backlog while housing for the homeless comprise 0.84 percent. Meanwhile, 10.3 percent of the total housing needs are for providing families living in doubled-up housing, or units which houses more than one household, with their own shelter (Medium-Term Philippine Development Plan, 2004-2010).

TABLE 1: **HOUSING NEED 2005-2010**

Category	**Units**
Housing backlog	984,466
· Doubled-Up Housing	387,315
· Replacement/Informal Settlers	588,853
· Homeless	8,298
Substandard (upgrading)	186,334
New households	2,585,272
TOTAL	**3,756,072**

Source: Housing and Urban Development Coordinating Council

B. HOUSING SUPPLY

Against a target of 1.2 million units of housing assistance or shelter security units (e.g., house, house and lot or lot only) for the period 2001-2004, the housing sector was able to provide 0.9 million units or an accomplishment rate of 73.6 percent. Of this total output, 0.49 million units were classified as socialized housing while 0.39 million were low-cost housing. Almost 0.22 million of socialised housing units went to the informal sector[1].

Socialised housing refers to government or private sector housing programmes and projects that provide houses and lot packages or home lots to underprivileged and homeless citizens. These housing programmes and projects include sites and services development, long-term financing and liberalised terms on interest payments[2] (Republic Act No. 7279 otherwise known as the Urban Development and Housing Act dated 24 March 1992).

In Tables 2 and 3, socialised housing is defined as housing units which costs less than PHP225,000 (USD5,419)[3] and are meant for low-income households, particularly those belonging to the lowest 30 percent income deciles. Low-cost housing units, on the other hand, are those which cost PHP225,000 – PHP2 million (USD5,419 – USD48,169) and are intended for households belonging in the middle income bracket.

In June 2005, the Housing and Urban Development Coordinating Council increased the price ceiling for socialised housing units to PHP300,000 (USD7,225) while the price range for low cost housing was raised to PHP300,000- PHP2,000,000 (Housing and Urban Development Coordinating Council Memorandum Circular No. 03, series of 2005).

1 The informal sector refers to nonmembers of the Government Service Insurance System (GSIS) and the Social Security System (SSS) and Home Development Mutual Fund (HDMF; Pag-Ibig Fund).

2 In the Implementing Rules and Regulations (IRR) that governs Section 18 of R.A. No. 7279, socialized housing is further defined as projects that are intended for the underprivileged and homeless wherein the housing package selling price is within the lowest interest rate under the Unified Home Lending Program (UHLP) or any equivalent housing program of the government, the private sector or non-government organizations. The current interest rate for socialized housing programs is at a fixed six (6) percent per annum at a maximum loan period of 30 years.

3 Conversion rate used is PHP41.52:USD1, the average PHP/USD exchange rate during the January to May 2008 period.

TABLE 2: **HOUSING TARGETS AND ACCOMPLISHMENTS (IN UNITS)**

Housing Package*	Target Households 2001-2004	Actual Accomplishments				
		2001	2002	2003	2004	2001-2004
Socialized	880,000	207,940	118,987	84,716	81,853	493,496
Low cost	320,000	54,447	74,306	114,507	146,067	389,327
TOTAL	**1,200,000**	**262,387**	**262,387**	**193,223**	**227,920**	**882,823**

Source: Housing and Urban Development Coordinating Council

For the period 2005-2010, the Philippine housing sector is targeting a total of 1.1 million housing units with a total value of PHP217.0 billion (USD5.23 billion). Sixty eight (68) percent of these dwelling units are classified under socialised housing while 32.0 percent are low-cost housing units. A small proportion (0.01 percent) of the projected new housing units will be for medium-cost housing.

TABLE 3: **HOUSING TARGETS, 2005-2010**

Housing Package	Number of Units	Percentage Share
Socialized	780,191	68.1
Low cost	365,282	31.8
Medium cost	195	0.01
TOTAL	**1,145,668**	**100**

Source: Housing and Urban Development Coordinating Council

C. DEMAND-SUPPLY GAP IN THE HOUSING SECTOR

It is evident from the previous discussion on the provision of housing that a wide demand-supply gap exists in the Philippine housing sector. The large demand for housing, particularly at the lower end of the market, is not sufficiently met by the supply of housing units. This demand-supply gap is attributed to at least three important factors. One, poor households are unable to pay for the high cost of housing. Second, government has limited resources, which constrain its ability to meet the rising demand for housing. Third, there is lack of incentives for the private sector to engage in the provision of housing for the lower segment of the market[4].

It is estimated that only 50 percent of households are able to access the formal housing market[5]. These are mostly households with minimum average monthly income of PHP10,307 (USD248) (FIES 2006)[6]. The lack of affordability for the remaining 50 percent is ascribed to: among others, i) rapid rise in the ratio of housing unit cost to income; ii) limited low-cost housing alternative in the formal market; and iii) less innovative housing finance available.[7]

4 " Philippines: Metro Manila Urban Services for the Poor." Asian Development Bank, 2006.

5 Ibid.

6 The PHP10,306.78 (USD248) minimum average monthly income quoted above is based on the national average monthly income of households in the sixth decile of the income category in the FIES. These are households whose affordable monthly housing/rental amortization is PHP1,139.30 (USD27.44). However, it should be noted that for the National Capital Region (NCR), which is considered as the most urbanized region in the country, the average monthly income of households in the sixth decile is higher at PHP20, 187.69 (USD486.22) with an affordable monthly housing/rental amortization of PHP2,862.77 (USD68.95).

7 Ballesteros, M. "The Dynamics of Housing Demand in the Philippines: Income and Lifestyle Effects." Philippine Institute for Development Studies (PIDS) Research Paper 2002-12, 2002.

As such, the government remains the main provider of housing, especially to the poor. The government recognises that it lacks the necessary resources to address the rise in demand for housing. The private sector and the banking system have participated marginally in the provision of housing, in particular to the socialised housing segment, because they are unable to compete with the subsidised housing loan rates extended by government housing programmes. Moreover, the low-income sector of society has a high credit risk tag attached to it. To encourage greater private sector participation in the housing sector, the government's thrust is geared towards a market-oriented housing finance system that would ensure a level playing field for both the public and private housing programmes.

D. THE NATIONAL SHELTER PROGRAMME

The National Shelter Programme maps out the action plan of the Philippine government in the housing sector. Its main objective is to increase the housing stock for the low-income sector. The programme is comprised of four major programmes: i) direct housing provision; ii) community mortgage programme; iii) retail and developmental financing; iv) provision of security of tenure v) indirect financing. Under the direct housing provision, financial loans and assistance are extended to beneficiaries for land purchase and housing construction. The indirect housing provision grants loans to private developers and contractors to entice them to produce socialised housing.

Between 2001 and 2006, the National Shelter Programme reported a total of 1,440,252 households assisted through its different programme components. Private developers and contractors, through the Home Guaranty Corporation's retail and developmental guaranty programs and the projects of the Housing and Land Use Regulatory Board, assisted 48 percent of the total household-beneficiaries of the National Shelter Programme. On the other hand, the retail and developmental home financing of the Home Mutual Development Fund as well as of Government Financial Institutions extended housing finance to 22 percent of the National Shelter Programme's total household-beneficiaries. Nearly 14 percent of households assisted under the National Shelter Programme gained land tenure security through Presidential proclamations while five percent acquired their own housing lots through the Community Mortgage Programme. Direct housing provision accounted for 10 percent of total households assisted (Table 4). (Annex 1 gives the details of the accomplishment of the National Shelter Programme for 2001 to 2006.)

TABLE 4: **NSP ACCOMPLISHMENT 2001-2006**

Housing and Secure Tenure

Summary (in households assisted)	2001	2002	2003	2004	2005	2006	TOTAL
1. Housing production[1]	44,883	10,078	6,797	18,062	38,227	29,708	147,755
2. CMP	9,457	12,331	14,026	14,129	14,199	13,822	77,964
3. Retail and developmental financing*/	26,923	40,619	58,586	97,191	57,223	40,656	321,198
4. Provision of secure tenure through Presidential Proclamation	35,662	78,112	13,636	40,280	7,807	19,978	195,475
5. Indirect housing production*	24,794	25,099	35,012	178,141	235,351	199,463	697,860

1 Does not include relocated households in the Balik Probinsya (Back to the Province) programme (1,9012), housing financial assistance (3,337), relocated to other places (450).
**/ 2005 and 2006 Institutional Financing was based on actual loan releases (units were estimated only based on average loan per unit of approved institutional loan for 2005 and 2006, respectively).*
** Does not include the 47, 502 HDMF enrolled project to HGC.*

E. INSTITUTIONAL FRAMEWORK FOR HOUSING

Seven key shelter agencies comprise the institutional framework of the Philippine housing sector. These include: i) the Housing and Urban Development Coordinating Council ii) the National Housing Authority iii) the National Home Mortgage Finance Corporation iv) the Home Guarantee Corporation v) the Home Development Mutual Fund vi) the Housing and Land Use Regulatory Board and vii) the Social Housing Finance Corporation.

Under Executive Order (E.O.) No. 90 dated 17 December 1986, the Housing and Urban Development Coordinating Council is tasked with coordinating the activities of the different government housing agencies to ensure the accomplishment of the National Shelter Programme. For its part, the National Housing Authority is mandated to provide housing assistance to the lowest 30 percent of urban income-earners through slum upgrading, squatter relocation, development of sites and services and construction of core housing units.

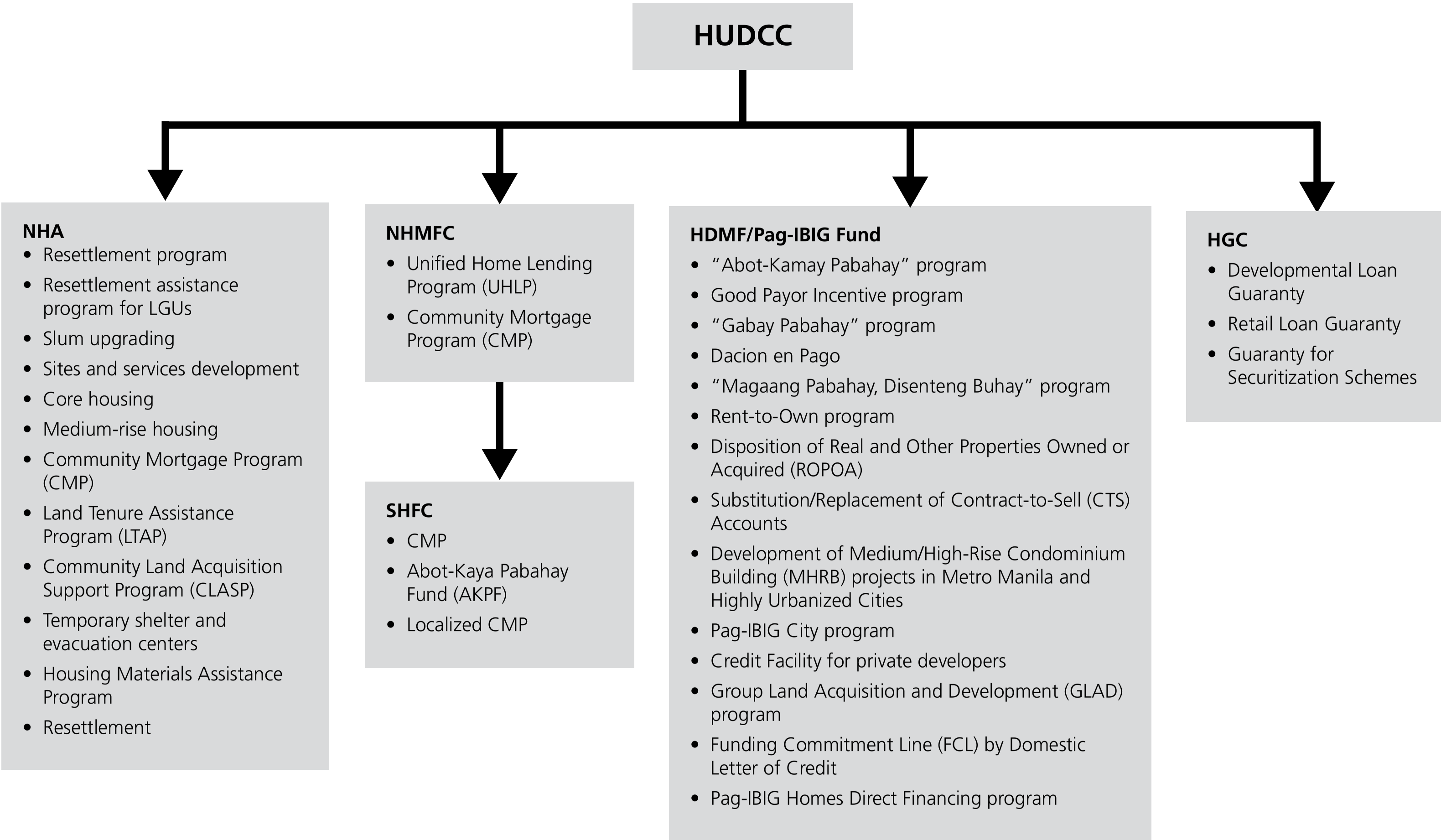
The National Home Mortgage Finance Corporation is responsible for operating a viable home mortgage market through the purchase of mortgages originated by both private and public institutions and developing a system that will attract private institutional funds into long term housing mortgages. Through the issuance of Executive Order No. 272 dated 20 January 2004, the Social Housing Finance Corporation was established as a wholly owned subsidiary of the National Home Mortgage Finance Corporation. The primary duty of the Social Housing Finance Corporation is to develop and operate a socialised housing finance programme that will address the needs of households belonging in the low-income sectors. Meanwhile, the Home Development Mutual Fund, which is more commonly known as the Pag-IBIG Fund (Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno – Cooperation for the Future: You, the Banks, Industries and the Government), was created to provide public and private employees with decent housing and address the difficulties of housing finance with the establishment of a system of voluntary contributions by government and private employees.

The Pag-IBIG Fund is administered by two agencies: i) the Government Service Insurance System, which manages the funds of government workers ii) the Social Security System which handles the funds for private employees. The Home Guaranty Corporation guarantees the payment of any and all forms of mortgages, loans and other forms of credit facilities and receivables arising from financial contracts exclusively for residential purposes and the necessary support facilities (provided that they have been issued Home Guaranty Corporation). Moreover, the Home Guaranty Corporation assists private developers undertake socialised, low and medium-cost mass housing projects by encouraging private funds to finance housing projects through a viable system of long-term mortgages, guarantees and other incentives.

The Housing and Land Use Regulatory Board regulate housing and land development plans and zoning ordinances of national, regional and local governments. (Annex 2 provides the key roles and functions of the different housing agencies in the Philippines.)

Figure 1 lists the different housing programmes and projects being implemented by the aforementioned housing agencies. These programmes include the community-based housing programmes that cater to the needs of low-income households. An overview of these community-based housing programmes is given in the next chapter.

FIGURE 1: **HOUSING PROGRAMS/PROJECTS OF KEY SHELTER AGENCIES**



CHAPTER 3

COMMUNITY-BASED HOUSING PROGRAMS IN THE PHILIPPINES

The rising number of households living in informal settlements poses a major concern for the Philippine government. To help address this problem, the government initiated four community-based housing programs: i) Group Land Acquisition and Development programme ii) Land Tenure Assistance Programme iii) Community Land Acquisition Support Programme iv) Community Mortgage Programme. These housing programmes operate under the concept of community resource mobilisation to provide low income households access to decent shelter and land tenure security. The Home Development Mutual Fund is the main implementing agency of the Group Land Acquisition and Development programme while the National Housing Authority oversees the Land Tenure Assistance Programme and Community Land Acquisition Support Programme. The Community Mortgage Programme, which is the most availed among these community-based housing programmes, is managed by the Social Housing Finance Corporation.

A. GROUP LAND ACQUISITION AND DEVELOPMENT PROGRAMME

OBJECTIVES

The Group Land Acquisition and Development programme provides financial assistance to organised groups of the Home Development Mutual Fund (also known as the Pag-IBIG Fund) members for the acquisition and development of raw land or partially developed land that will be the site of their housing units[8]. Financial assistance for land acquisition and site development is in the form of a direct loan to the community association. The loan for land acquisition is released to the landowner/s while that for site development is paid to the developer/contractor undertaking the site development for the community association. Beneficiaries of the programme could also avail of an additional loan for house construction.

8 HDMF Circular No. 80-J (October 16, 2002)

ELIGIBILITY REQUIREMENTS

The programme requires that beneficiaries be organised into a community association with a minimum of 30 members and a maximum of 250 members. All member beneficiaries must be formally employed and active members of the Pag-IBIG Fund eligible for housing loans. The community association has to be duly registered with the proper government agencies (e.g. the Securities and Exchange Commission, the Cooperative Development Authority or the HLURB) for it to have a legal personality. The community association must have existed for at least six months prior to loan application.

LOAN TERMS

The total loan to the community association will be equal to the aggregate amount of the individual loans extended to member-beneficiaries. The loan entitlement for each member-beneficiary will be proportionate to his/her contributions to the Pag-IBIG Fund, inclusive of the counterpart contributions made by his/her employer. The loan is to be secured by a First Real Estate Mortgage on the land itself and all improvements thereon.

Interest rates on the total loan for land acquisition and site development is fixed at 9 percent per annum, payable over a maximum period of 25 years. However, once the loan shares of member beneficiaries are converted into individual lot purchase loans/or lot purchase and housing construction loans, the interest rate will be based on the individual beneficiaries' total loan entitlement in accordance with the applicable rates prescribed in the Consolidated Guidelines of the Pag-IBIG Housing Loan programme prevailing at the time the loan was issued.[9]

9 The Pag-IBIG Fund currently charges the following interest rates per annum for its housing loans:
6 percent – up to PHP 300,000 (USD7,225)
7 percent – over PhP300,000 to PhP500,000 (US$12,042)
10.5 percent – over PHP500,000 to PHP1,000,000 (USD24,085)
11.5 percent – over PHP1,000,000 to PHP2,000,000 (USD48,170)

LOAN PAYMENT

The community association is responsible for the collection of loan payments from its member-beneficiaries and the remittance of these collections to the Pag-IBIG Fund as long as the loan is still considered as a group obligation. Only the interest rate will be paid during this period with the first payment due 30 days from the date of the initial loan release.

Once the Group Land Acquisition and Development loan is turned from a group loan to an individual lot/lot and house construction loan, the loan amortisations made by member-beneficiaries will be credited as payments for the loan principal. The member-beneficiary's portion in the loan obligation of the community association is considered paid only when the title of the lot assigned to him/her is transferred to his/her name and the mortgage covering his/her lot purchase is annotated in the lot title. Member-beneficiaries are to remit their loan amortisations directly to the Pag-IBIG Fund when individual promissory notes have been executed.

Any member-beneficiary of the community association can pay in full his share in the Group Land Acquisition and Development loan in cash or by availing of the lot purchase loan. The community association's failure to pay its loan obligation in time will result in a penalty charge equivalent to 1/20 of 1 percent of any unpaid amount for each day of delay or 18 percent per annum.

The Group Land Acquisition and Development programme charges community associations with a processing fee of PHP100 (USD2.41) per member-beneficiary, or PHP10,000 (USD241) whichever is higher.

Between 2002 and 2007, a total of 20 projects have been approved under the Group Land Acquisition and Development programme with total loan value of PHP364.9 million (USD8.79 million) benefiting an estimated 3,171 households (Table 5).

TABLE 5: **GROUP LAND ACQUISITION AND DEVELOPMENT PROGRAMME, 2002-2007**

Year	Loan Approval		
	Loan Value in million PhP (in million US$)	No. of Units	No. of Projects
2002	2.6 (0.06)	56	1
2003	44.7 (1.1)	210	2
2004	93.1 (2.2)	1,095	4
2005	1.1 (0.03)	-	1
2006	146.8 (3.5)	1,147	7
2007	76.7 (1.9)	663	5
TOTAL	**364.9 (8.8)**	**3,171**	**20**

Source: Corporate Planning Office, Home Mutual Development Fund

B. LAND TENURE ASSISTANCE PROGRAMME AND COMMUNITY LAND ACQUISITION SUPPORT PROGRAMME

The National Housing Authority, through its Community-based Tenure Assistance Programmes, extends financial and technical support to organised groups/community associations of low-income households to help them acquire security of tenure. These programmes include the Land Tenure Assistance Programme and Community Land Acquisition Support Programme.

B.1. LAND TENURE ASSISTANCE PROGRAMME

In 1997, the National Housing Authority initiated the Land Tenure Assistance Programme to assist qualified community associations acquire their own land. Beneficiaries of the program organize themselves into a community association duly registered with the proper government agencies (e.g. HGC, Securities and Exchange Commission, HLURB) to attain a legal personality required to transact with the owner of the land they intend to purchase.

For its part, the National Housing Authority provides financial assistance for land acquisition to the community association in the amount not to exceed PhP60,000 (US$1,455) per beneficiary-member as well as technical assistance in project packaging, collection monitoring and titling operations.

LOAN TERMS AND CONDITIONS

Under the Land Tenure Assistance Programme, the community association puts up an amount equivalent to ten (10) percent of the total selling price of the land as its equity. The community association also shoulders any additional equity that shall be required for amounts in excess of the PHP60,000 (USD1,455) assistance ceiling per beneficiary-member. Initially, the community association's loan with the National Housing Authority was payable within 15 years at a fixed rate of 12 percent per annum. Since then, the interest rates for sociaIiSed housing have been adjusted from 12 to nine (9) percent per annum to six (6) percent per annum with a maximum repayment period of 30 years. Accordingly, the payment term of Land Tenure Assistance Programme projects were extended to 25 years at a fixed interest rate of six percent per annum.

As of December 20007, the Land Tenure Assistance Programme has 104 active projects accounting for a total of 13,327 housing units. Total financial assistance extended to these projects amount to PHP564.7 million (USD13.6 million) (Table 6).

It should be noted that Table 6 does not include the seven Land Tenure Assistance Programme projects that has already been paid in full.

TABLE 6: **LAND TENURE ASSISTANCE PROGRAMME PROJECTS**

Area	No. of projects	No. of units	Adjusted Financial Assistance* in million PhP (in million US$)
National Capital Region	18	2,213	216.3 (5.2)
North and Central Luzon	3	179	8.7 (0.2)
Southern Luzon	34	4,190	142.9 (3.4)
Visayas	24	3,131	111.3 (2.7)
Mindanao	25	3,614	85.5 (2.1)
TOTAL	**104**	**13,327**	**564.7 (13.6)**

As of December 2007
* Adjusted financial assistance – after restructuring and condonation that occurred between 2004 and 2006
Source: National Housing Authority

Between 1997 and 2004, the funding for the Land Tenure Assistance Programme was sourced from National Housing Authority corporate funds. In 2005, the National Housing Authority ceased to use its own funds to finance the Land Tenure Assistance Programme on account of the very low collection efficiency rate of the programme. The low loan payment is attributed to the wrong impression that beneficiaries have of the programme. Member-beneficiaries see the financial assistance from the Land Tenure Assistance Programme as a form of government dole-out hence there is no need to repay the loan. Presently, the program derives its funding from the countryside development fund of Congressmen. The National Housing Authority acts as a trustee of these funds.

B.2. COMMUNITY LAND ACQUISITION SUPPORT PROGRAMME

The National Housing Authority began to implement the Community Land Acquisition Support Programme in 1997. The programme entails the provision by the National Housing Authority of technical assistance to community associations who have the financial capability to directly purchase the land they occupy or intend to resettle in. The programme is likewise applicable where the landowner is willing to be paid directly by the community association on agreed terms. The scheme is also applicable for the acquisition of National Housing Authority properties on installment basis.

Beneficiaries of the Community Land Acquisition Support Programme organise themselves into a community association with a maximum membership of 200. The community association should be duly registered with the proper agencies to have a legal personality. Member-beneficiaries are given two years to mobilise the necessary funds to purchase their desired property for housing purposes. The Community Land Acquisition Support Programme requires that the community association save at least 20 percent of the total selling price of the land. To come up with the needed amount, the community association could also seek financial support, donations and grants from local governments and private organisations.

The National Housing Authority facilitates the transaction between the landowner and the community association including the determination of the specific terms and conditions of the sale and proper documentation. The scope of the technical assistance may be extended to include the enhancement of the community association's capability for self organisation, negotiations with the landowner, syndication for fund source, appraisal and valuation of the property, facilitation for the conduct of the boundary/individual lot survey and titling, assistance in securing land conversion, sales documentation and the design of the collection scheme.

LOAN TERMS AND CONDITIONS

For non- National Housing Authority properties, the loan terms and conditions are subject to what was agreed upon by the landowner and the community association. For National Housing Authority properties, the community association has to put up an amount equivalent to 10 percent of the total selling price of the land as its equity.

During the initial years of the Community Land Acquisition Support Programme's implementation, the balance of the selling price of the land is payable within two to ten years based on the financial capacity of the community association at a fixed interest rate of 12 percent per annum. However, with interest rate adjustments for socialised housing loans and the lengthening of their loan period, the current interest rate charged for Community Land Acquisition Support Programme loans is at a fixed six percent per annum payable up to a maximum period of 30 years.

The community association shoulders the land survey, titling and other expenses related to the transfer of the title from the landowner to the community association and thereafter to its individual members.

C. COMMUNITY MORTGAGE PROGRAMME

Among the community-based housing programs implemented by the Philippine government, the Community Mortgage Programme is touted as the most successful in terms of beneficiary-reach effectiveness, cost effectiveness and higher loan repayment. The next chapter gives the details of the Community Mortgage Programme. It likewise provides an assessment of the Community Mortgage Programme as a government-housing programme for low-income households.

TABLE 7: **COMMUNITY LAND ACQUISITION SUPPORT PROGRAMME PROJECTS***

Area	No. of projects	No. of units	Adjusted Financial Assistance in million PhP (in million US$)	Collection Efficiency Rate (CER; in %)
National Capital Region	3	592	13.6 (0.3)	56
North and Central Luzon	3	292	28.8 (0.7)	42
Southern Luzon	13	1,726	73.8 (1.8)	22
TOTAL	**19**	**2,610**	**116.2 (2.8)**	**28**

As of December 2007

* Does not include two (2) fully paid projects and one (1) project which has been transferred to loan individualization

Source: National Housing Authority

CHAPTER 4

THE COMMUNITY MORTGAGE PROGRAMME

A. OVERVIEW OF THE COMMUNITY MORTGAGE PROGRAMME

The Community Mortgage Programme is an innovative financing scheme that aims to increase housing ownership among households belonging to the lowest income sector of society and to allow informal settlers gain land tenure security. The National Home Mortgage Finance Corporation launched the programme in 1988 as a component of its Unified Home Lending Programme.

In 1992, the Community Mortgage Programme was adopted in the National Shelter Programme, thereby elevating its status from a corporate program of the National Home Mortgage Finance Corporation to a socialised housing programme of the national government.

Under the Community Mortgage Programme, informal settlers, slum dwellers or tenants of blighted areas or areas for priority development, who have been occupying their lots prior to 25 February 1986 could own the land that they are living on, or the property where they will be relocated through community mortgage.

TABLE 8: **BASIC FEATURES OF THE COMMUNITY MORTGAGE PROGRAMME**

Features	Description
Objective	To increase housing ownership among households belonging to the lowest 30 percent income sector of society and to allow informal settlers gain land tenure security
Target beneficiaries	Households belonging to the lowest income deciles who are informal settlers, slum dwellers or tenants of blighted areas or areas for priority development
No. of households per community association/organization	Maximum of 300 households
Loan purposes and maximum loan value	Lot acquisition NCR and other highly-urbanized areas: PhP80,000 (US$1,927) Other areas: Undeveloped land - PhP45,000 (US$1,084) Developed land - PhP60,000 (US$1,445) Site development: PhP15,000 (US$361.27) House construction: PhP40,000 (US$963.39)
Interest rate	Fixed at 6 percent per annum
Maturity	25 years
Project types	On-site and off-site
Source of funds	National budget
Implementing agency	Social Housing Finance Corporation (SHFC)
Originators	NHA, HGC, Local Government Units (LGUs) and Non-Governmental Organizations (NGOs)

A.1. PREREQUISITES OF THE COMMUNITY MORTGAGE PROGRAMME

LAND/SITE QUALIFICATIONS:

It is a crucial requirement of the Community Mortgage Programme that the landowner is willing to sell his/her property to the community association. Additional features required for a land/area to be considered as a site for the Community Mortgage Programme include: 1) land is covered by a Transfer of Certificate Title and is free from liens/ encumbrances (except in certain cases) at the time of financing by the Social Housing Finance Corporation 2) land conversion, if not yet classified as residential 3) written intent to sell and buy between the landowner and the community association 4) with road right of way for land not bounded by public road 5) surety bond in favor of the Social Housing Finance Corporation pending reconstruction of lost or damaged title, whenever applicable 6) observance of the provisions of applicable existing laws.

ELIGIBILITY OF COMMUNITY MORTGAGE PROGRAMME BORROWERS

The Community Mortgage Programme entails that member-beneficiaries form themselves into a community association that is duly registered with the HLURB. For Community Association members to qualify as Community Mortgage Programme borrowers, they should be: i) of legal age (18-60 years old); ii) members and non-members of the Government Service Insurance System (for government employees), Social Security System (for non-government employees) or the Home Development Mutual Fund iii) have not availed of any housing loan from the Government Service Insurance System, Social Security System and Home Development Mutual Fund iii) not a registered owner or co-owner of any housing unit and iv) employed or has means of earning. Husbands and wives could only apply for one (1) loan. (Annex 3: Community Mortgage Programme Checklist of Requirements)

A.2. TYPES OF COMMUNITY MORTGAGE PROGRAMME PROJECTS

The Community Mortgage Programme offers two types of projects: i) on-site projects and ii) off-site projects.

ON-SITE PROJECTS

In on-site projects, illegal settlers legalise their claim to the land that they have lived on by purchasing it from the landowner through the Community Mortgage Programme. Almost 90 percent of Community Mortgage Programme sites are on-site projects. Member-beneficiaries prefer this type of Community Mortgage Programme project because it does not necessitate their relocation to another site which may be far from their place of work or source of livelihood. Moreover, in on-site projects, households are able to keep the housing units that they have already constructed on the land.

The Community Mortgage Programme does not require any particular type of housing unit for its beneficiary households. However, there are instances when a household is asked to demolish part of its housing unit. This happens if in the process of subdividing the land it is found that the housing unit is occupying a part of another household's lot or that it is in the way of a community road or pathway. Surveyors try to avoid this situation by ensuring that the land is subdivided without the need to demolish some of the housing units in the area.

OFF-SITE PROJECTS

Off-site Community Mortgage Programme projects involve the relocation of household-beneficiaries to another site. This is the case if the land being occupied is classified as a blighted area or an area for priority development. Out of the 1,152 total Community Mortgage Programme projects initiated between 1994 and 2007, only ten percent are classified as off-site projects (Table 9). The relatively low preference for off-site projects is due to the fact that it entails the relocation of households to another area. Some households refuse to move to the relocation site because it is far from their workplace or source of income and livelihood.

TABLE 9: **CMP TAKEN-OUT PROJECTS: ON-SITE AND OFF-SITE**

	On-site			Off-site		
Year	No. of Projects	No. of Beneficiaries	Loan Amount in million PhP (in million US$)	No. of Projects	No. of Beneficiaries	Loan Amount in million PhP (in million US$)
1994	61	6,428	149.8 (3.6)	15	1,996	36.8 (0.9)
1995	58	5,941	169.8 (4.1)	6	380	8.5 (0.2)
1996	65	4,994	153.8 (3.7)	3	977	24.0 (0.6)
1997	71	7,672	246.9 (6.0)	12	1,520	50.0 (1.2)
1998	57	5,052	164.5 (4.0)	5	652	28.4 (0.7)
1999	29	3,749	136.4 (3.3)	-	-	-
2000	23	2,815	107.2 (2.6)	11	2,248	68.6 (1.7)
2001	61	6,546	260.5 (6.3)	11	2,814	83.7 (2.0)
2002	81	9,509	395.5 (9.5)	16	2,815	87.0 (2.1)
2003	98	11,661	490.9 (11.8)	11	2,366	119.9 (2.9)
2004	97	12,487	542.3 (13.1)	8	1,653	48.0 (1.2)
2005	102	11,155	540.4 (13.0)	9	1,542	61.7 (1.5)
2006	106	12,478	669.7 (16.1)	7	1,307	64.7 (1.6)
2007	124	9,647	529.5 (12.8)	5	1,015	37.8 (0.9)
TOTAL	**1,033**	**110,134**	**4,556.93 (109.8)**	**119**	**21,285**	**719.1 (17.3)**

Source: Social Housing Finance Corporation

In general, off-site communities are more difficult to organize than on-site communities. Households in on-site Community Mortgage Programme projects have often lived together for a number of years and thus have formed group solidarity. By contrast, households in off-site projects are heterogeneous and may come from different areas. Achieving a sense of community and soliciting cooperation among households could therefore be a more complicated task in off-site projects than in on-site projects. The low loan repayment rate of off-site projects (51.08 percent) compared to on-site projects (71.84 percent) is reflective of this problem in off-site communities. Moreover, projects under litigation or loans that have been written off are more common under off-site projects than in on-site projects.

The Community Mortgage Programme tried to address the issue of heterogeneity in off-site projects by requiring that household-beneficiaries be any of the following homogeneous groupings: i) living in danger areas (e.g., living under the bridge, near dams or waterways) ii) affected by government infrastructure projects iii) with threat of eviction or ejected through a case/court order. However, this provision of the Community Mortgage Programme could not surmount the other factors affecting off-site projects.

A.3. LOAN TERMS OF THE COMMUNITY MORTGAGE PROGRAMME

The Community Mortgage Programme loan is granted in three stages. Loans released in the first stage of the Community Mortgage Programme are for financing the acquisition of the land that is occupied by the Community Association (on-site project) or where they will be relocated to (off-site project). After applying for the lot acquisition loan, the Community Association could then apply for the second stage of the Community Mortgage Programme loan. Second stage loans are for site development that includes upgrading of water and drainage systems, cementing of pathways, construction of recreational facilities, provision of streetlights and other infrastructure services that the community needs. Individual beneficiaries who want to construct or make improvements/renovate their dwellings could apply for the third stage loans. It should be noted, however, that member-beneficiaries who avail of the maximum loan for lot acquisition are no longer entitled to the loan for site development.

The loan for house construction/renovation remains available whether or not member-beneficiaries are availed of the maximum loan for lot acquisition. Moreover, the maximum lot size covered by the lot acquisition loan of the Community Mortgage Programme is 60 sq.m. Member-beneficiaries put in as equity the cost of the lot that exceeds 60 sq.m.

A maximum amount of PHP120,000 (USD2,890) for the three stages could be availed of by individual beneficiaries residing in highly urbanised areas.[10] For other areas, loan ceiling is at PHP100,000 (USD2,409) per beneficiary. These loan amounts take into consideration the potential financing needs of the Community Mortgage Programme beneficiaries while at the same time taking into account their capacity to pay the monthly amortisation of the loan. The loan is payable in equal monthly amortisations for a maximum of 25 years at a fixed interest rate of 6 percent per annum. The same land, which is subject of purchase, shall serve as the collateral for the loan.

TABLE 10: **LOAN PURPOSES AND LIMITS**

PURPOSE	AMOUNT	
	Highly Urbanized Areas	Other Areas
1. Lot acquisition		
Undeveloped	PhP80,000 (US$1,927)	PhP45,000 (US$1,084)
Developed	PhP80,000	PhP60,000 (US$1,445)
2. Site development	PhP 15,000 (US$361) per beneficiary	
3. House construction	PhP 40,000 (US$963) per beneficiary	
TOTAL LOAN PACKAGE	**PhP120,000 (US$2,890)**	**PhP100,000 (US$2,409)**

Source: Social Housing Finance Corporation

10 Highly urbanized areas (HUA) are cities with population of not less than 200,000 and with an annual income of at least PhP50 million (US$1.20 million) based on 1991 constant prices, as certified by the city treasurer. There are 15 areas classified as HUA for the purposes of the CMP.

The total mortgage value of the Community Mortgage Programme reached PHP7.27 billion (USD175 million) for the period 1989 to January 2008. Of this amount, PHP6.96 billion (USD168 million), or 96 percent, is accounted for by loans for lot acquisition. Loans for site development and housing construction/ improvement have been marginal. This is due to the fact that many community associations seek other sources of funds (e.g. sponsorships from local government units, grants, fund-raising activities) for the development of their site such that they will no longer have to avail of second stage loans. Likewise, households often use their own savings to finance the construction, improvements or renovations of their dwelling units.

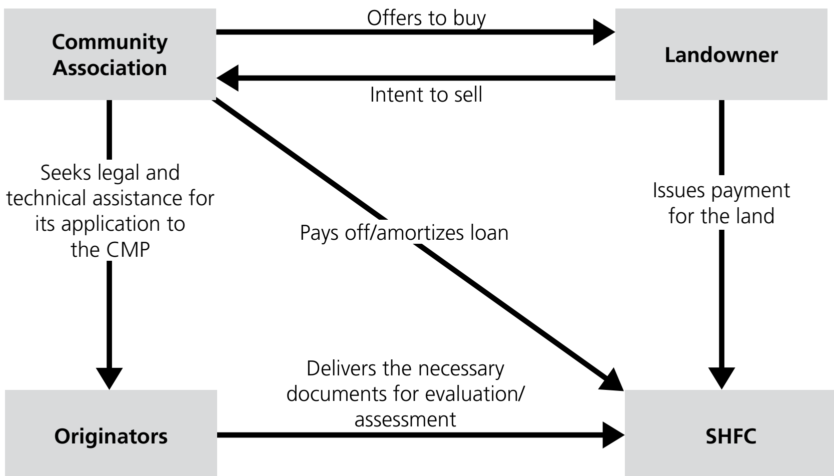
A.4. IMPLEMENTING AGENCIES AND OTHER CONCERNED PARTIES[11]

A Community Mortgage Programme project is a result of concerted efforts among community associations, landowners, loan originators and government housing financing agency. Figure 2 gives a summary of the key roles played by the concerned parties in the Community Mortgage Programme process

COMMUNITY ASSOCIATIONS

Community associations are the main implementers of the Community Mortgage Programme. They initiate the Community Mortgage Programme process by negotiating with the landowner for the purchase of the property. For as long as property is not yet subdivided and transferred in the names of the individual member-borrowers, the obligation of the member-beneficiaries remain joint and common.

FIGURE 2: **CMP PROCESS**



11" Fast Facts on the Community Mortgage Program," Social Housing Finance Corporation.

A Community association executes a collection agreement with the Social Housing Finance Corporation wherein it commits to collect from its member-beneficiaries its monthly amortizations and to remit these to the Social Housing Finance Corporation. The Community association keeps an individual record of the paid and unpaid amortisations of its members as well as the paid and unpaid amortisations of the whole Community association. For its efforts in collecting and servicing the loan shares of its members, the Community association is entitled to one (1) percent of the amount collected and remitted to the Social Housing Finance Corporation. However, if the Community association is unable to pay its monthly amortisation on time, it is charged the equivalent of 1/15 of one (1) percent of the amount due, per day of delay. The same rate of penalty shall be charged the delinquent member-beneficiary, except when Community association rules and regulations provide for stiffer penalties.

A member-beneficiary, who is unable to pay his/her monthly amortization for at least three (3) months, could be substituted with another qualified beneficiary. In such cases, the Community association has to notify the Social Housing Finance Corporation of the substitution of its member-beneficiaries. If the arrearages of the whole community loan reach at least three (3) monthly amortizations, the Social Housing Finance Corporation could foreclose the collateral/mortgage, which is the Community Mortgage Programme housing site. The Community association has to apply for the updating/restructuring of the loan with the Social Housing Finance Corporation to avoid the foreclosure of the mortgage loans of the Community Mortgage Programme.

Records show that the smallest Community association that has availed of the Community Mortgage Programme consists of nine households. It used to be that there is no limit to the number of households that can join a Community association.

However, a maximum of 300 households per Community association has been implemented. Community associations with more than 300 member households had been encouraged to split. The rationale behind this measure is that a smaller organisation would be easier to manage and to monitor than a larger one. It has also been observed that the collection efficiency rate/loan repayment rate of the Community associations is inversely related to their size.[12] Community associations with less than or equal to 200 members have higher average collection efficiency rate (88.06 percent) than Community associations with 201-350 members (74.57 percent) and those with more than 350 members (69.27 percent).[13]

LANDOWNERS

A landowner executes a contract to sell his/her property to the Community association through the Community Mortgage Programme. He/She is also expected to update the real estate taxes on his/her property and to provide for a road right of way.[14] In addition, the landowner defrays the legal and notarisation expenses that will be incurred relative to the execution of the Deed of Sale in favor of the Community association as well as pay for the transfer tax.

12 The collection efficiency rate (CER) is computed as a cumulative percentage of the total loan collecgtion over total billing, excluding penalty charges.
13 Ballesteros, M. and D. Vertido. "Can Group Credit Work for Housing Loans? Some Evidence from the CMP." PIDS Policy Notes No. 2004-05, June 2004.
14 Road right of way is defined as a parcel of land, unobstructed from the ground to the sky, more than 3.0 meters in width and appropriated to the free passage of the general public (Metropolitan Manila Development Authority (MMDA) Regulation No. 04-004, Series of 2004).

LOAN ORIGINATORS

Community Mortgage Programme originators are organiaations/institutions duly accredited by the Social Housing Finance Corporation and could either be national government agencies, bureaus or corporations, local government units or non-governmental organizations. The main task of originators is to provide the Community association with the necessary legal and technical assistance as it goes through the Community Mortgage Programme process. Originators are also responsible for screening the qualifications of the potential beneficiaries of the program, explaining the duties and financial obligations of the member-beneficiaries and training of the officers of the Community association on financial management and record keeping. Even after a project is taken-out, the originator is expected to continue monitoring the performance of the community, particularly on its loan collection efficiency. It is imperative for originators to achieve a collection efficiency rate of at least 80 percent on their whole Community Mortgage Programme portfolio. Otherwise, the Social Housing Finance Corporation temporarily puts on hold the take-out of the new projects they originate until they attain the 80 percent required collection efficiency rate.

For their efforts, originators receive an origination fee equivalent to PHP1,000 (USD24.08) from each household beneficiary or two percent of the approved loan, whichever is lower. The origination fee is payable upon the take-out of the lot acquisition loan.

As of end-October 2007, Social Housing Finance Corporation data shows that there are a total of 171 originators – 127 non-governmental organizations, 2 government housing agencies and 42 local government units.[15]

The National Housing Authority, one of the government housing agencies who acts as Community Mortgage Programme originator, accounts for the most number of originated projects at 200 (out of the total 1,576 Community Mortgage Programme projects). Moreover, the National Housing Authority and the Home Guaranty Corporation, the other housing agency tasked to originate Community Mortgage Programme projects, have the highest Collection Efficiency Rate among the originators at 81.62 as of end-October 2007. Non-governmental organisations have a Collection Efficiency Rate of 59.67 percent while Local Government Units registered a Collection Efficiency Rate of 75.33 percent.

The relatively high Collection Efficiency Rate of the two government housing agencies can be explained by their relative cautiousness with the Social Housing Finance Corporation rule of a minimum Collection Efficiency Rate of 80 percent on their whole Community Mortgage Programme portfolio otherwise they risk the temporary suspension of their credit line to the Community Mortgage Programme. The inability of the National Housing Authority and Home Guaranty Corporation to originate new Community Mortgage Programme projects because of low Collection Efficiency Rate could reflect badly on their performance as housing agencies mandated with providing and supporting housing programs for low-income households. Thus, the National Housing Authority and Home Guaranty Corporation put effort in ensuring that the Community Mortgage Programme projects they originate have high loan repayments. Once they notice that a Community Association is lagging in its payments or that it has low amortization collections, staff members of these housing agencies schedule site visits and meetings with Community Association officials to discuss their loan collection problems and devise ways to encourage member-beneficiaries to pay their monthly amortizations on time.

15 In 2007, the SHFC instituted the Localized Community Mortgage Program (LCMP). The aim of the LCMP is to strengthen the partnership between the SHFC and Local Government Units (LGUs) to achieve a more systematic and focused approach in reducing the housing backlog in the country. Under the LCMP, qualified partner-LGUs may apply for an Omnibus Commitment Line (OCL) with the SHFC, an amount not to exceed PhP50 million (US$1.2 million), to accommodate priority social housing projects identified by the partner-LGUs.

Non-governmental organisations, on the other hand, suffer from low Collection Efficiency Rate because some of them lack the commitment in carrying out their responsibilities as Community Mortgage Programme originators. There have been reports that aside from the origination fee that originators get from Community Associations, some Non-governmental organisations charge Community Associations additional fees. Other non-governmental organisations are even said to charge a commission on the sale of the land to the Community Association. Anecdotes such as these have caused concern for non-governmental organisations that are doing dedicated work for Community Mortgage Programme projects. These non-governmental organisation originators have issued calls for a thorough investigation of these allegations and the weeding out of non-governmental organisation-originators who are taking advantage of the Community Mortgage Programme for their financial gain. The issue has already been brought to the attention of the National Congress of Community Mortgage Programme Originators The National Congress of Community Mortgage Programme Originators is looking closely into this matter to find ways to put an end to these improper practices.

SOCIAL HOUSING FINANCE CORPORATION

On January 2004, the Social Housing Finance Corporation was created as a wholly owned subsidiary of the National Home Mortgage Finance Corporation through the issuance of Executive Order No. 272. It is mandated to develop and operate a socialised housing finance programme that will address the needs of households belonging to the low-income sectors. Subsequently, the authority of the National Home Mortgage Finance Corporation over government socialised housing programmes like the Community Mortgage Programme and the Abot-Kaya Pabahay Fund (an amortisation support and developmental financing programme) was transferred to the Social Housing Finance Corporation. The Social Housing Finance Corporation takes the lead in the processing of the mortgages of the Community Associations and finances the lot acquisition, site development and housing assistance loans of the Community Mortgage Programme.

A.5. COMMUNITY MORTGAGE PROGRAMME PROCESS

a. Tenant/ beneficiaries organize themselves into a community association, cooperative or condominium corporation which entity shall borrow and initially own the mortgage of the land;

b. Community Associations registers with the Housing and Land Use Regulatory Board

c. Landowner and Community Associations negotiates for the purchase of the site; landowner executes a letter of intent to sell

d. Community Associations applies for Community Mortgage Programme loan through the originator[16]

e. Originator processes the Community Associations application and applies for project enrolment/program participation with the Social Housing Finance Corporation

f. Social Housing Finance Corporation evaluates and reviews application documents; conducts site inspection and background investigation ; approves for project enrolment/programme participation

16 The loan amount will depend on the value of the land as agreed upon by the landowner and the CA and as appraised by the SHFC. If the appraisal of the SHFC is lower than the agreed land price, the CA's member-beneficiaries are expected to shoulder the difference.

g. Social Housing Finance Corporation issues letter of guaranty to the landowner for the payment of the land

h. Landowner executes a Deed of Absolute Sale of the land to the Community Association and transfers the title in their name

i. Social Housing Finance Corporation releases payment of land to the landowner

j. Community Association collects monthly amortisations and remits these to the Social Housing Finance Corporation enforces sanctions and substitutions in cases of recalcitrant members

k. Community Association could apply for the individualisation of the land title within a year of the release of the Community Mortgage Programme loan

l. Community loan is individualized with the transfer of the lot ownership to the individual member-beneficiaries through a Deed of Sale (Appendix 4: CMP Process Flowchart).

Community Associations are obligated to save before they enter the Community Mortgage Programme process. The savings of the Community Associations are usually deposited in the bank under the name of the association. When the Community Association enters the Community Mortgage Programme it uses these savings to pay for the fees incurred during the process. These fees include: i) a survey fee for the preparation of the site survey and subdivision plans, ii) an origination fee of PHP1,000 (USD12.04) per beneficiary to be paid to the originator upon the take-out of the lot acquisition loan, iii) transfer fee paid for the transfer of the title from the landowner to the Community Association iv) documentary stamps and other notary fees.[17]

According to originators, the pre-take out expenses of each household could range from a low average of PHP6,500 (USD157) to as high as PHP12,500 (USD301) or more depending on the schedule of payments.[18] Moreover, the Social Housing Finance Corporation requires Community Associations to have three to six months advance monthly amortization and 12 months advance of the mortgage rental insurance. This would serve as a buffer fund for Community Associations member-beneficiaries during times when they experience difficulty in paying their monthly amortizations.

Originators note that the saving pattern of a Community Associations is a good indicator of the readiness of the organization for the Community Mortgage Programme. It shows not only their ability to mobilize the needed funds for the program but more so their commitment to meet their financial obligations in the Community Mortgage Programme. Likewise, it demonstrates the solidarity and cooperation among the member-beneficiaries. This is a very important factor in ensuring that the Community Association will be able to fulfill all of its responsibilities in the programme.

Community Associations have different ways of coming up with the necessary savings fund. Often, they agree on a monthly collection from their member-households. Community Association officers are responsible for ascertaining that their members keep up with these monthly dues. Some Community Associations come up with other initiatives to augment their savings. They hold fund-raising activities like raffles or draws and sponsor events.

17 Agustin, M. and L. Lim. "Mediating the Margins, Formalizing Informal Settling," paper presented at the 44th Anniversary Conference of the Institute of Philippine Culture, Ateneo de Manila University, 15 September 2004.

18 Vertido, D.C. " Status of the Community Mortgage Program Implementation and Review of its Key Problems and Weaknesses." Advocacy Agenda, Mindanao Coalition of Development NGO Networks, April 2005.

The length of time through which a project would go through the Community Mortgage Programme process largely depends on the ability of the Community Associations to come up with the necessary documents. Nonetheless, Community Associations and originators note that it usually takes an average of 2 years for a Community Mortgage Programme project to be taken-out (release of Community Mortgage Programme lot acquisition loan).

A.6. FUNDING FOR THE COMMUNITY MORTGAGE PROGRAMME

The Community Mortgage Programme obtained its capital funding during the first six years of its implementation (1988-1994) from short-term loans from three government-supported saving and loan funds: the Home Development Mutual Fund, Government Service Insurance System and Social Security System. This funding arrangement was intended to be temporary given that these loans were to be refinanced from the World Bank's Shelter Sector Loan to the Philippines. However, the Community Mortgage Programme did not receive any funding from the World Bank due to the low collection efficiency of its implementing agency, the National Housing Mortgage Finance Corporation. Although the Community Mortgage Programme achieved the required collection efficiency target, the World Bank did not release the funds on account of the poor performance of the Unified Home Lending Programme.[19] The national government allocated a total budget of PhP12.8 billion (US$308 million) for the Community Mortgage Programme for the period 1995-2002 through the Comprehensive and Integrated Shelter Financing Act. The Community Mortgage Programme currently receives budgetary allocations of PHP500 million (USD12 million) from the national government to fund its lending operations.

B. PERFORMANCE OF THE COMMUNITY MORTGAGE PROGRAMME AS A HOUSING PROGRAMME

The Community Mortgage Programme is said to have been born out of the experiences from former resettlement and slum upgrading projects, in particular the Pagtambayayong project in Cebu and the Dagat-dagatan project in Manila.[20] Over the years, the Community Mortgage Programme has evolved into the flagship housing programme of the government for the lowest income sector of the society. The success of the Community Mortgage Programme as a housing programme is discussed in this section based on three important factors - beneficiary reach, cost effectiveness and collection efficiency/loan repayment rate.

B.1. BENEFICIARY REACHES EFFECTIVENESS

Between 1989 and the end of January 2008, the Community Mortgage Programme has taken-out a total of 1,610 community projects that benefited 196,046 families with a total mortgage value of PHP7.27 billion (USD175.1 million). Community Mortgage Programme projects can be found in all of the 16 regions of the Philippines. However, almost 50 percent of these projects are located in the National Capital Region which has the most number of informal settlers. Two regions, the Cordillera Autonomous Region and Region 1 (Ilocos Region) have the least number of Community Mortgage Programme projects at 2 housing sites per region (Appendix 5: Yearly Status Report of CMP Projects Taken-Out).

19 Lee, M. " The Community Mortgage Program: An Almost Successful Alternative for Some Urban Poor." HABITAT International Volume 19, No. 4, 1995, pp.529-546.

20 Rebullida, M.L., D. Endriga and G. Santos. "Housing the Urban Poor." UP Center for Integrative and Development Studies UP-CIDS, 1999, p. 41.

TABLE 11: **SUMMARY OF COMMUNITY MORTGAGE PROGRAMME PROJECTS**

Covering period	No. of projects	No. of beneficiaries	Amount in million PhP (in million US$)
NHMFC retained accounts 1989-1993	297	36,473	791.0 (19.1)
Accounts transferred to SHFC 1994 – September 2005	1,010	126,513	4,732.5 (114.0)
SHFC October – December 2006	148	19,775	1,041.2 (25.1)
January – December 2007	139	11,822	626.1 (15.1)
TOTAL	**1,594**	**194,583**	**7,190.6 (173.2)**

Source: Social Housing Finance Corporation

A total of 664 Community Mortgage Programme projects are in the pipeline with an estimated mortgage value of PHP3.90 billion (USD93.9 million) and projected household beneficiaries numbering to 73,102. Of these, the Social Housing Finance Corporation Board has already approved 108 Community Mortgage Programme projects which is expected to benefit some 7,812 households and have a total loan value of PHP447.10 million (USD10.77 million). The taking-out of 120 projects has been 50 percent complete while 133 are still undergoing the examination process. New projects for enrollment to the program sum up to 303 (Appendix 6: Community Mortgage Programme Projects in the Pipeline).

B.2. COST EFFECTIVENESS

Social Housing Finance Corporation data shows that the average loan amount extended by the Community Mortgage Programme from 1989 to 2007 is PHP36,955.24 (USD890.1) per household beneficiary. This is the lowest average loan amount per beneficiary for the different community-based housing programs (Table 12). Moreover, the 2006 Family Income and Expenditure Survey shows that the affordable average monthly housing amortisation/rent for households in the first decile is PHP 264.78 (USD6.38); for the second decile, PHP388.71 (USD9.36); and for the third decile, PHP496.38 (USD11.96). The Community Mortgage Programme's average monthly amortisation of PHP100 – PHP500 (USD2.41 – USD12.04), depending on the location of the site and size of the lot, is within the range of affordable monthly housing amortiSation for households in the lowest thirty percent of the income structure.

TABLE 12: **AVERAGE LOAN COST OF COMMUNITY-BASED HOUSING PROGRAMMES**

Housing Program	Average Loan/Household Beneficiary in PhP (in US$)
CMP	36,955 (890.1)
LTAP	42,375 (1,020.6)
CLASP	44,517 (1,072.2)
GLAD	115,087 (2,771.8)

B.3. COLLECTION EFFICIENCY RATE

Data from the different implementing agencies reveal that the Community Mortgage Programme's average Collection efficiency rate of 69.41 percent for the period 2001 to 2007 is the highest for the three community-based housing programs (Table 13).

TABLE 13: **COLLECTION EFFICIENCY RATE OF COMMUNITY-BASED HOUSING PROGRAMMES**

Housing Program	Collection Efficiency Rate (%)							Average (2001-2007)
	2001	2002	2003	2004	2005	2006	2007	
CMP	78.18	72.15	69.96	69.83	58.95	71.29	65.50	69.41
GLAD	-	-	-	43.00	48.00	65.00	66.00	55.50
LTAP	54.00	92.00	53.00	31.00	24.00	26.00	17.00	42.43

- No available data
Source: SHFC - CMP; HDMF - GLAD; NHA – LTAP

In 2007, the CLASP registered a CER of 28 percent, almost twice less than the 65.5 percent CER of the CMP during the same year.

C. AN ASSESSMENT OF THE COMMUNITY MORTGAGE PROGRAMME

Interviews were conducted with originators and Community Associations to better assess the performance of the Community Mortgage Programme as a housing programme for the lowest income sector of society. [21] The information and insights obtained from these sources are valuable in gaining a better understanding of the Community Mortgage Programme and the issues that have beleaguered the programme since its inception. This section takes up some of the issues besetting the programme as well as the benefits that household-beneficiaries derive from it.

C.1. COLLECTION EFFICIENCY RATE

The Community Mortgage Programme should have a Collection efficiency rate of at least 85 percent to be deemed as a sustainable financing programme. However, during the last 14 years (1994-2007), the overall Collection efficiency rate of the Community Mortgage Programme averaged at 73.14 percent (Table 14). The given figure excludes projects that have been foreclosed and those that are under or due for litigation. A further evaluation of these projects could result in a better and clearer picture of the loan recovery of the Community Mortgage Programme.

21 The study conducted interviews with CMP originators - the National Housing Authority (NHA; government agency) and the Foundation for the Development of Urban Poor (FDUP; non-governmental organization) and with the CA officials of the different NAPICO CMP projects in Manggahan, Pasig (NAPICO is sub-divided into 15 CMP projects).

TABLE 14: **CMP COLLECTION EFFICIENCY RATE, 1994-2007**

Year	CER (%)
1994	76.67
1995	77.72
1996	76.69
1997	81.83
1998	77.98
1999	69.84
2000	77.35
2001	78.18
2002	72.15
2003	69.96
2004	69.83
2005	58.95
2006	71.29
2007	65.5
AVERAGE	**73.14**

Source: Social Housing Finance Corporation

The low repayment performance of the Community Mortgage Programme is underpinned by the poor loan collection rate among the beneficiaries of the programme. Various reasons are cited why many Community Associations have poor repayment performance. Financial constraints (e.g., lack of employment or a source of income) are one of the often mentioned reasons for the failure of some household beneficiaries to meet their monthly amortizations. Though this may be the case for some households, there are member-beneficiaries who do not pay their monthly amortizations not because they do not have the financial capacity to do so but simply because they do not want to pay. Originators and Community Associations refer to these member-beneficiaries as recalcitrant households. Recalcitrant households argue that it is the government's obligation to them as citizens of the country to provide them with free housing. Since the Community Mortgage Programme is a government housing programme, it should be free from any financial responsibility. Other recalcitrant households doubt the Community Mortgage Programme as a housing program for the poor. They question the legitimacy of the ownership of the Community Mortgage Programme site by citing Spanish titles to disprove land ownership.[22] What could make matters worse for some community associations is that these recalcitrant households could persuade other households into adopting their stance about the Community Mortgage Programme. To discipline these households, Community Association files legal actions against them. Once the court hands down its decision, the Community Association moves to serve out demolishment and eviction notices to the recalcitrant households. However, not all Community Associations could afford to take legal actions against their recalcitrant member households. Legal costs could run high and Community Associations have to shoulder these expenses. Moreover, there is the risk of damaging long-time relationships with neighbours and friends. This is often the case for communities who have lived together for a long time. The government also takes legal action against communities that resist paying their financial obligations. It has already foreclosed some properties and evicted defaulting households.

Community Associations and originators say that the foreclosure, demolition and eviction of these member households could get highly politicised when they seek the patronage of local politicians. The intervention of these politicians could at times reinforce the wrong attitude of the non-paying households to the detriment of the whole community to which they belong.

22 Spanish titles refer to the land titles issued under the Spanish Mortgage Law during the Spanish occupation in the Philippines. However, the use of Spanish titles was discontinued with the issuance of Presidential Decree No. 892 ("Discontinuance of the Spanish Mortgage System and Use of the Spanish Titles") in 1976 and the Presidential Decree No. 1529 ("Land Registration Decree") in 1978. Under these decrees, Spanish titles had to be re-registered with the Torrens Title System to be considered legitimate.

Improving the collection efficiency rate of the Community Mortgage Programme is a shared responsibility between the Community Associations, originators and the Social Housing Finance Corporation. They undertake various initiatives to encourage household beneficiaries to keep up-to-date their monthly dues. Some Community Associations give incentives and rewards to members who pay their loans in full (e.g., small discounts, announcing their names in the newsletter of the community association) and those who pay in advanced (e.g., giving out some groceries or small tokens). Originators visit communities with declining Collection Efficiency Rate to inquire on the reasons behind their delayed payments and to talk with member households about possible solutions to these problems. For its part, the Social Housing Finance Corporation gives penalties to the accumulated arrears of households. However, households can only avail of the penalty condonation once and they have to pay a minimum amount depending on the length of period of the households' arrears. Household beneficiaries who make an early full payment of their loan get lower interest payments.

C.2. LEAKAGES IN THE COMMUNITY MORTGAGE PROGRAMME: EXTENT OF BENEFICIARY SUBSTITUTION

Beneficiary substitution happens when a household is no longer able to continue paying its monthly amortization or if it has to move out of the community for certain reasons. Under Community Mortgage Programme guidelines, the household should inform the Community Associations of its intent to be substituted and the Community Association would then find another household to replace it. Community Associations normally have a list of eligible substitute households. Aside from the Community Association approval, the substitute household should also get the approval of the Social Housing Finance Corporation Board.

There are however many cases of illegal substitution. Illegal substitution occurs when the beneficiary sells its rights to the lot to another household without informing the Community Association. Leakages to the Community Mortgage Programme could come from these illegal substitutions. Substitute households could come from the non-poor sector that technically should not be eligible for the Community Mortgage Programme. Given their low monthly amortisation and good site development, Community Mortgage Programme communities are increasingly becoming attractive to middle class families wanting to have their own house and lot at a more affordable level.[23] These leakages should be addressed by the programme to ensure that it remains true to its objective of providing housing for the lowest income sector.

C.3. DELAYS IN THE PROCESSING OF COMMUNITY MORTGAGE PROGRAMME LOANS

Community associations and originators used to complain about the long time that it takes for a Community Mortgage Programme loan to be processed. To hasten the process and accreditation of projects under the Community Mortgage Programme, its documentation requirements were reduced from a total of 56 documents to 23.[24] Later, this was further trimmed down to 18 documents.[25] However, the Community Mortgage Programme process could still take time given the red tape that exists in the system.

23 An example of this is the NAPICO CMP project. According to its CA officers, almost 40 percent of the households residing there now are not the original household beneficiaries of the CMP.
24 NHMFC Corporate Circular No. 027 (31 August 2001).
25 NHMFC Corporate Circular No.028 (5 February 2002).

C.4. BENEFITS OF THE COMMUNITY MORTGAGE PROGRAMME TO ITS MEMBER-HOUSEHOLDS

Despite its share of implementation problems and issues needing to be resolved, originators and Community Associations agree that the program is successful in fulfilling its objective of providing low-income households with decent housing and secure land tenure. (Box 1 presents the case of a Ninoy Aquino Pilot Community (NAPICO) project in Manggahan, Pasig City as an example of a successful Community Mortgage Programme project.)

The ownership of a decent shelter has been shown to result in the economic and social development of households (The World Urban Forum III, 2006). Originators and Community Association echo this same observation with regards to the many housing projects developed under the Community Mortgage Programme.

Household beneficiaries of the Community Mortgage Programme often cite the sense of security and certainty that they gain from owning their own house and lot. They no longer have to constantly worry about the threat of eviction and sudden displacement. The security of tenure allows households to start investing in the improvement of their dwelling units. From makeshift houses, households had their units concretized and furnished. The community likewise, begins to develop their site by undertaking infrastructure projects (e.g. pathways, sewerage system) and constructing communal facilities (e.g. playgrounds, basketball courts). All of these contribute to a better way of living for families within these communities.

The ownership of a piece of land also plays a significant role for poverty alleviation for many of the Community Mortgage Programme beneficiary households. Land is an important form of capital that could be utilised for future needs of the households.

Although the Community Mortgage Programme prohibits its beneficiaries from selling their lots without consent from the Community Association or the Social Housing Finance Corporation, anecdotal evidence shows that there are instances when households sell their land or a portion of it or use it as collateral for a loan to finance their needs (e.g., for the education of their children, medical expenses, or to pay for a job placement abroad in the case of overseas Filipino workers). Community Associations are asked if they are able to monitor the selling of lots within their community. Community Association officers said that some of these households notify them of their intent to sell their lots and cite their reasons for doing so but many others do not. Nonetheless, cases of land selling are believed to be limited relative to the majority of household beneficiaries that hold on to their house and lots with the intent of passing them on to their children in the future as inheritance.

More than promoting homeownership, the real significance of the Community Mortgage Programme lies in its ability to uplift the dignity of its household beneficiaries. With this renewed sense of dignity, many of these households begin to aspire for better and improved lives. Some of them start to engage in entrepreneurial activities, small backyard businesses and livelihood projects. In this way, the Community Mortgage Programme helps change the mendicant behavior associated with many poor households. The programme instills in these households financial responsibility and a sense of communal duty.

BOX 1: **NINOY AQUINO PILOT COMMUNITY (NAPICO) CMP PROJECT**

PROJECT NAME:	NAPICO Homeowners Association I–XIII
LOCATION:	Manggahan, Pasig City, Metro Manila
TYPE OF PROJECT:	On-site
ORIGINATOR:	National Housing Authority (NHA)
TOTAL LOAN AMOUNT:	PhP199.7 million (US$ 4.81 million)
DATE OF TAKE-OUT:	2002-2004
NO. OF BENEFICIARIES:	4,521 households
COLLECTION EFFICIENCY RATE:	98.26 percent

On 25 February 1986, as the EDSA revolution that toppled the Marcos regime reached its climax, a group of urban migrants staged their own "people power" by occupying 38 hectares of vacant lot located in Manggahan, Pasig, and Metro Manila. The lot was registered under the name of the Metro Manila Commission, now known as the Metro Manila Development Authority (MMDA), and was originally intended as a housing site for the employees of the Commission. By March 1986, the remaining 5 hectares of the land was occupied by another group of urban migrants.

The Association of Landless Residents of Manggahan (ALRM) was organized and officers were elected. Mr. Yolando Velasco, the group's leader, was unanimously voted as their President. Initially, ALRM members used the land to plant crops and vegetables. It is for this reason that the area became known as "Tanimang Bayan" (Everyone's Farm). Moreover, since the Metro Manila Commission did not permit the construction of permanent structures in the land, the illegal settlers lived in makeshift houses made of nipa, cogon or wood.

On 9 January 1987, the ALRM filed a petition to then President Corazon C. Aquino to intercede on behalf of the association to award the land that they have settled on. The petition was endorsed to the National Housing Authority (NHA), which will later act as the originator of the project when it entered the CMP. The ALRM was eventually renamed into the Ninoy Aquino Pilot Community (NAPICO). NAPICO was divided into 13 zones and named as the NAPICO Homeowners Association (NAPICO HOA) I to XIII. The 13 NAPICO HOAs were registered separately for the purpose of the CMP package. A mother organization, the NAPICO Federation Inc., was organized to oversee and coordinate the entry of the whole NAPICO land site into the CMP. Meanwhile, the individual NAPICO HOAs were tasked with collecting the necessary CMP documents as well as the monthly dues from their member beneficiaries.

In 1990, a Letter of Intent to Sell was issued by the MMDA Chairman Benjamin Abalos to the NAPICO Federation Inc. The NHA, as the project's originator, launched a series of activities to prepare the member beneficiaries for the CMP. These efforts included intensive information and motivation campaign to inform member beneficiaries of the CMP policies, procedures, requirements; conduct of socio-economic survey; capability building sessions for community leaders; and creation of working committees like Beneficiary Selection Committee, Technical Committee and Ways and Means. As a concession, the MMDA required that 10 percent of the lots in the NAPICO area be allotted for MMDA employees. This is due to the original intent of the MMDA to award the NAPICO lots to their employees.
The 13 NAPICO zones were later divided into phases to adhere to the NHMFC rule that no community association would have more than 300 member households to be eligible for CMP loan. Presently, there 15 phases of NAPICO, with NAPICO HOA IX and X being subdivided into NAPICO HOA IX-A and IX-B and NAPICO HOA X-1 and X-2. The loan application of the NAPICO HOA II to the CMP was the first to have been approved on 22 March 2002. The final loan approval was granted to the NAPICO HOA IX on 26 November 2004.

NAPICO site in 1987 © UN-HABITAT

NAPICO site at present © UN-HABITAT

From being a Tanimang Bayan (Everyone's Farm), the NAPICO site has transformed into a developed urban settlement during the last two (2) decades (Please see before and after pictures of the site). It is now a large community of 4,521 households, bustling with various activities. The makeshift houses that used to dot the area has now been replaced with concrete and solid houses that rises at times to four (4) storeys (to maximize the lot area which averages at 60-80 sq.m.). NAPICO residents attribute the current improvements in their community to cooperation, group solidarity and good leadership. Former community officers tirelessly worked towards the acquisition of the NAPICO site and its development. The NAPICO site used to be a swampy area that is easily flooded. To remedy this problem, the site had to be land filled. Residents of NAPICO recall the many fund-raising activities (e.g. raffles/draws, charity dances) they undertook to come up with the money to pay for the truckloads of sand and gravel for the area. Residents of the area also observed that households in NAPICO began to improve on their dwelling units when their acquired their lot through the CMP.

The NAPICO project has been paying off its loan by area/phase since 2002. From then on, the whole NAPICO community has consistently posted high CERs. On average, the 15 phases of the NAPICO registered a high 98.26 percent collection efficiency rate. As of March 2007, 10 NAPICO HOAs have CERs of 100 percent. The others have CERs that ranges from 81 to 99 percent. Currently, some of the NAPICO HOAs are into the individualization of their lot titles.

When asked in an interview how they are able to maintain such high CERs, the officers of the different NAPICO HOAs cited the importance of closely monitoring members on their monthly amortizations (the average monthly amortization for a 60 sq.m. lot in NAPICO is PhP411.18). Member households who miss their monthly payments receive letters from their HOAs reminding them of their financial obligation to the community association. In cases when the member beneficiaries refuse to pay their monthly amortization, the HOAs undertake legal actions against them. Some of these legal actions have resulted in demolitions and evictions. Such demolitions and evictions serve as a stern warning to other households that the same fate awaits them if they renege on their financial obligation to the CMP. The officers of the HOAs likewise noted that it helps to be constantly in touch with their member households through regular general assemblies/meetings (at least twice a year), community reports or newsletters. Through these, HOA officers are able to explain to their members the issues that arise in their community and discuss whatever concerns that households may have regarding the CMP.

Sequestering the properties of a recalcitrant household © UN-HABITAT

Demolishment of the housing unit of a recalcitrant household © UN-HABITAT

The NAPICO is an example of a successful CMP community. Its experience underscores the importance of cooperation, solidarity, trust, determination and political will among its member beneficiaries to achieve the fundamental objective of the CMP to provide decent housing for low-income families.

CHAPTER 5

ASSESSING THE FEASIBILITY OF LINKING THE CMP TO THE FORMAL SECTOR

The Community Mortgage Programme currently receives a budgetary allocation of PHP500 million (USD12.0 million) from the national government to fund its new projects. Given its declining Collection Efficiency Rate and limited budgetary support, the Community Mortgage Programme could be constrained in further expanding its operations. The possibility of linking the Community Mortgage Programme to the formal banking system could provide the programme with a wider resource base to tap into for financing future projects.

In assessing the feasibility of linking the Community Mortgage Programme to the formal sector, the study looked into the loan requirements and terms of four banks. These banks include two universal commercial banks (Bank of the Philippine Island and Banco de Oro), a government bank (Land Bank of the Philippines) and a rural bank (Rural Bank of San Juan, Inc.). All of these banks provide housing loans to their clients. Since an average Community Mortgage Programme loan is small enough to qualify as a microfinance loan, the study also included a microfinance-oriented rural bank (CARD Bank) as well as a credit cooperative (Perpetual Help Credit Cooperative, Inc. of Tacloban). These organisations likewise grant housing loans to their members.

For the Bank of Philippine Island (BPI), the minimum loan amount it extends for house construction or house and lot acquisition is PHP400,000 (USD9,633.9). The loan has a fixed interest rate of 11.75 percent, payable at a maximum period of 20 years. Under these terms, the estimated monthly amortization is PHP4,334.8 (USD104.4). Meanwhile, the minimum amount of housing loan in Banco de Oro is PHP500,000 (USD12,042.1). The loan carries a fixed interest rate of 12 percent, payable at a maximum period of 20 years. At these terms, the estimated monthly amortization for the loan is PHP5,506 (USD132.6)

Table 15 gives the affordable housing amortization per income decile in the Philippines based on the 2006 FIES. The table shows that the monthly loan amortization of the above-discussed universal banks is beyond what can be afforded by households in the lower income deciles.

TABLE 15: **AFFORDABLE HOUSING AMORTIZATION PER INCOME DECILE, PHILIPPINES**

Income Decile	Ave. Monthly Incomein pesos (US$)	Affordable Amortization*(in pesos)
First Decile	2,689.28	264.78
Second Decile	4,230.91	388.71
Third Decile	5,429.48	496.38
Fourth Decile	6,717.61	647.61
Fifth Decile	8,311.46	864.12
Sixth Decile	10,306.78	1,139.30
Seventh Decile	13,305.38	1,503.66
Eighth Decile	17,091.69	1,932.12
Ninth Decile	24,299.13	2,733.10
Tenth Decile	51,828.17	5,665.63

Source of basic data: Family Income and Expenditure Survey 2006, National Statistics Office
* Households' average monthly house rental value (includes lot rental value)

The Land Bank of the Philippines has a socialised housing loan with amount ranging from PHP80,000 (USD1,926.8)–PHP180,000 (USD4,335.3) with a fixed interest rate of 9 percent payable in 30 years. A rural bank like the Rural Bank of San Juan, Inc. gives housing loans at 14 percent interest and 10-20 years to pay. The CARD Bank only provides home improvement loans from PHP5,000 (USD120.4)-PHP50,000 (USD1,204.2) at 2 percent interest per month, payable in 6 months to 1 year. The Perpetual Help Credit Cooperative, Inc. of Tacloban offers a Coop Pabahay Loan (Cooperative Housing Loan) with a maximum amount of PHP700,000 (USD16,859.3) with 14 percent interest rate per annum. Compared to the loan terms of the Community Mortgage Programme, the banking sector has higher loan terms. Households belonging to the bottom 30 percent of the population could encounter difficulties in accessing loan facilities of these banks.

Moreover, banks require clients seeking housing loans to present a certificate of employment or to have a minimum level of income. Housing loan clients of universal commercial banks should have a minimum income of PHP40,000 (USD963.4) – PHP50,000 (USD1,204.2). The Land Bank of the Philippines has a lower income requirement of PHP10,000 (USD240.8) for its social housing loan clients. Nonetheless, the beneficiaries of the Community Mortgage Programme are oftentimes employed in the informal sector and most of them do not have a steady stream of income. The income requirement of banks screens out households in the lowest income deciles from accessing loans from the formal sector.

Banks likewise require collateral from their potential clients. This is to ensure that in case the borrower defaults on his/her loan payments, the bank will not entirely loose out on the loan. The collateral would be in the form of titled properties, assignment of contract in favor of the bank, Real Estate Mortgage in favor of the bank or the individual Transfer Certificate of Title. Moreover, to ensure the prompt payment of loans, banks ask their borrowers to issue post-date checks covering the monthly amortisations. If borrowers have an account with the bank, they could allow the bank to automatically debit their monthly amortizations from their account. Community Mortgage Programme beneficiaries are informal settlers who do not own any property. Therefore, they would most likely not come up with the appropriate collateral to secure bank loans.

The banking sector recognises that they have a role to play as financing agents in the housing sector. However, they expressed doubts on their potential participation in the socialised housing sector for low-income households. This is the segment of the housing market that the formal sector does not cater to because of the difficulty in designing a suitable housing loan package that would minimise the associated risks. Moreover, the banking sector cannot give the same subsidised rates that the government could provide for these households.

In view of this, the government should continue to provide housing financing to the poor or low-income groups given that it is the only institution that could effectively and efficiently undertake this task. Meanwhile, the banking sector will provide for the housing funding needs of middle-high income classes as well as for the developers of housing sites. This segmentation of the market proves to be optimal for the housing market.

CHAPTER 6

REPLICATION OF THE COMMUNITY MORTGAGE PROGRAMME

The Community Mortgage Programme is considered as a successful housing programme in the Philippines mainly because it is able to deliver its twin objectives of increasing home ownership among the lowest income sector of society and allowing informal settlers gain land tenure security. Though this may be the case for the Philippines, the replicability of the Community Mortgage Programme in other areas will depend on a number of factors including the housing objectives of the government, the system of land ownership in the country and its experience with community-based programs.

A Community Mortgage Programme-like programme could entail subsidy from the government to ensure its effective delivery of housing services as well its viability in the long run. Given the magnitude of housing needs in other countries, some governments may face financial constraints in supporting a programme like the Community Mortgage Programme. Moreover, governments differ in their objectives for the housing sector as well as in their focus on the segments of the population they intend to support or subsidise.

The Community Mortgage Programme covers illegal settlements in both privately owned and publicly-owned lands. For as long as landowners are willing to sell their lands to the community associations, these sites can be considered for the Community Mortgage Programme. This eligibility feature entails that the system of land ownership in the country is clear and well-defined. Some countries may have a complex system of land ownership which could complicate the Community Mortgage Programme process.

Countries that have long experiences in implementing community-based programmes are more likely to succeed with the Community Mortgage Programme compared to countries that lack a background on these types of programmes. The success of a Community Mortgage Programme project is founded on the coherence of its community association. Countries that have worked with community organisations before would be in a better position to know the dynamics needed to elicit the kind of group solidarity warranted by the Community Mortgage Programme.

CHAPTER 7

CONCLUSIONS

The Community Mortgage Programme has often been regarded as the most successful housing programme of the Philippine government for low-income families. The programme's performance during its 19 years of implementation is a good testament to this claim. The Community Mortgage Programme provided decent housing units to the most number of beneficiaries and financed these at a relatively low loan cost. However, some implementation problems have plagued the programme since it inception which could hinder its effectiveness in fulfilling its objective of delivering housing for the poor. The government has been taking initiatives to deal with these issues but they are yet to be fully addressed.

The feasibility of linking the Community Mortgage Programme to the banking sector was assessed in a section of this paper. The motivation behind this proposal is to give the Community Mortgage Programme a wider resource base and to decrease its reliance on government funds to finance its operations. An analysis of the loan terms and requirements of different types of banks led to the conclusion that low-income households may not qualify for housing loans from the formal sector.

Therefore, it is recommended that the government continue to provide housing loans to low-income families while the banking sector covers the housing loan needs of middle-high income households. This current segmentation of the market proves to be the optimal arrangement for the housing sector.

Whether or not the Community Mortgage Programme could be replicated in other areas depends on a number of factors that include the housing objectives of the government, the system of land ownership in the country and experience with community-based programmes.

Humans have only three basic needs – food, clothing and shelter. It is therefore not surprising that every household has an inherent desire to own a lot and housing unit. For some families, this desire could easily be met. But for some, particularly poor households, owning a house and lot could be as far away as a dream. The Community Mortgage Programme, as a low-cost housing programme, provides urban poor households the means to turn their dream of owning a lot and a housing unit into reality and in turn helps build communities.

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ANNEXES

ANNEX 1: **NATIONAL SHELTER PROGRAM (NSP) 2001-2006 HOUSING AND SECURE TENURE**

Summary (in households assisted)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**TOTAL**
1. Housing Production	36,207	3,514	4,131	11,760	16,960	15,390	87,962
Northrail[1]		562	1,223	1,325	15,788	14,513	33,411
Southrail							8,003
Esteros	218						218
Pasig River	2,904						2,904
Resettlement Assistance to LGUs	3,718	2,952	2,908	2,432	880	877	13,767
NHA Administered Resettlement	867				292		1,159
Mt. Pinatubo Resettlement	28,500						
Slum Upgrading	5,961	5,019	1,505	1,395	4,136	1,338	19,354
Sites and Services	1,435	1,085	470	2,036	1,192	2,061	8,279
Core Housing (NHA)		280	511	2,871	1,033	927	5,622
Medium-Rise Housing (NHA)	1,280	180	180			105	1,745
Community-Based Housing							
Housing Financial Assistance					3,570		
Provision of Housing Facilities					2,041	600	2,641
Other Local Housing Projects					9,295	9,287	18,582
Sub-total	**44,883**	**10,078**	**6,797**	**18,062**	**38,227**	**29,708**	**147,755**

ANNEX 1: **NATIONAL SHELTER PROGRAM (NSP) 2001-2006 HOUSING AND SECURE TENURE**

Summary (in households assisted)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**TOTAL**
2. Community Mortgage Program	9,457	12,331	14,026	14,129	14,199	13,822	77,964
3. Retail and Developmental Financing	25,947	35,869	46,499	56,550	46,718	40,241	251,824
End-User Financing (HDMF)	16,194	19,125	29,035	39,562	37,175	32,939	174,030
Institutional Financing (HDMF)*	9,753	16,744	17,464	16,988	9,543	7,302	77,794
GFIs End-User Financing	976	4,750	12,087	40,641	10,505	415	69,374
Sub-total	**26,923**	**40,619**	**58,586**	**97,191**	**57,223**	**40,656**	**321,198**
4. Provision of secure tenure through Presidential Proclamation	35,662	78,112	13,636	40,280	7,807	19,978	195,475
GRAND TOTAL	**116,925**	**141,140**	**93,045**	**169,662**	**117,456**	**104,164**	**742,392**
Summary (in households assisted)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**TOTAL**
INDIRECT HOUSING PROVISION	24,794	25,099	35,012	5,258	68,122	12,462	170,747
6. HGC Retail Guaranty	20,983	22,689	34,094	5,253	68,119	12,460	163,598
Developmental Guaranty	3,811	2,410	918	5	3	2	7,149
7. HLURB				172,883	167,229	187,001	527,113
GRAND TOTAL	**24,794**	**25,099**	**35,012**	**178,141**	**235,351**	**199,463**	**697,860**

Notes: 1 Does not include relocated households given in the Balik Probinsya (Back to the Province; 19,012), housing financial assistance (3,337), relocated to other places (450)

*- 2005 and 2006 Institutional Financing (HDMF) was based on actual loan releases (units were estimated only based on average loan per unit of approved institutional loan for 2005 and 2006, respectively

Does not include the 47,502 HDMF enrolled project to HGC

ANNEX 2: **ROLES OF KEY SHELTER AGENCIES**

Key Shelter Agency	Mandates/Roles	Programs/Projects
a. Housing and Urban Development Coordinating Council (HUDCC)	Executive Order (E.O.) No. 90 dated 17 December 1986 – coordinate the activities of the government housing agencies to ensure the accomplishment of the National Shelter Program. Towards this end, the HUDCC shall: · Formulate national objectives for housing and urban development and design broad strategies for the accomplishment of these objectives · Determine the participation and coordinate the activities of the key government housing agencies in the national housing program · Monitor, review and evaluate the effective exercise by these agencies of their assigned functions · Assist in the maximum participation of the private sector in all aspects of housing and urban developments · Recommend new legislation and amendments to existing laws as may be necessary for the attainment of government's objectives in housing · Formulate the basic policies, guidelines and implementing mechanisms for the disposal or development of acquired or existing assets of the key housing agencies which are not required for the accomplishment of their basic mandates · Exercise or perform such other powers and functions as may be deemed necessary, proper or incidental to the attainment of its purpose and objectives	
b. National Housing Authority (NHA)	*Presidential Decree (P.D.) No. 757 dated 31 July 1975* · Design and implement a comprehensive and integrated housing development and resettlement program · Prescribe guidelines and standards for the reservation, conservation and utilization of public lands identified for housing and resettlement · Exercise the right of eminent domain or acquire by purchase privately-owned lands for purposes of housing development, resettlement and related services and facilities	*Production* · NHA-administered resettlement program · Resettlement assistance program for LGUs · Slum upgrading · Sites and services development · Core housing

ANNEX 2: **ROLES OF KEY SHELTER AGENCIES**

Key Shelter Agency	Mandates/Roles	Programs/Projects
b. National Housing Authority (NHA)	· Develop and undertake housing developments and/or settlement projects through joint ventures or other arrangements with public and private entities · Promote housing development by providing technical assistance *Executive Order (E.O.) No. 90 dated 17 December 1986* · Engage in direct shelter production · Provide housing assistance to lowest 30 percent of urban income-earners through slum upgrading, squatter relocation, development of sites and services and construction of core housing units · Initiate programs for the improvement of blighted urban areas and provide technical assistance to private developers undertaking low-cost housing projects · Develop housing projects for income-earners above the lowest 30 percent income deciles provided that funds generated thereon are utilized for the attainment of its primary mandate *Republic Act (R.A.) No. 7279 (Urban Development Housing Act) dated 24 March 1992* · Provide technical and other forms of assistance to local government units (LGUs) in the implementation of their housing programs · Undertake identification, acquisition and disposition of lands for socialized housing · Carry out relocation and resettlement of families with LGUs *Republic Act (R.A.) No. 7835 (Comprehensive and Integrated Shelter Finance Act) dated 8 December 1994* · Implement the following components of the National Shelter Program (NSP) – the Resettlement Program, Medium Rise Public and Private Housing, Cost Recoverable Programs and the Local Housing Program *Executive Order (E.O.) No. 195 dated 31 December 1999* · Provide socialized housing through the development and implementation of a comprehensive and integrated housing development and resettlement	· Medium-rise housing *Community-based housing programs* · Community Mortgage Program (CMP) · Land Tenure Assistance Program (LTAP) · Community Land Acquisition Support Program (CLASP) *Emergency Housing Assistance Program (For families affected by calamities)* · Temporary shelter and evacuation centers · Housing Materials Assistance Program · Resettlement

ANNEX 2: **ROLES OF KEY SHELTER AGENCIES**

Key Shelter Agency	Mandates/Roles	Programs/Projects
b. National Housing Authority (NHA)	· Fast-tracking the identification and development of government lands suitable for housing · Ensure the sustainability of socialized housing funds by improving its collection efficiency	
c. National Home Mortgage Finance Corporation (NHMFC)	*Presidential Decree (P.D.) No. 1267 dated 21 December 1977* · Develop and provide for a secondary market for home mortgages granted by public and/or private home financing institutions *Executive Order (E.O.) No. 90 dated 17 December 1986* · Operate a viable home mortgage market through purchase of mortgages originated by both private and public institutions · Develop a system that will attract private institutional funds into long term housing mortgages *Republic Act (R.A.) No. 7279 (Urban Development Housing Act) dated 24 March 1992* · NHMFC was designated as the administrator of the Community Mortgage Program *Republic Act (R.A.) No. 6846 dated 24 January 1990 and later amended by Republic Act (R.A.) No. 7835 (Comprehensive and Integrated Shelter Financing Act) dated 16 December 1994* · NHMFC is designated as the administrator of the Amortization Support Program, Social Housing Development Fund and Mortgage Trading Support Program	· Unified Home Lending Program (UHLP) · Community Mortgage Program (CMP)
d. Social Housing Finance Corporation (SHFC)	*Executive Order (E.O.) No. 272 dated 20 January 2004* · Undertake social housing programs that will cater to the formal and informal sectors in the low-income bracket · Develop and administer social housing program schemes, particularly the CMP and the AKPF Program (amortization support program and developmental financing program)	· Community Mortgage Program (CMP) · Abot-Kaya Pabahay Fund (AKPF) · Localized CMP

ANNEX 2: **ROLES OF KEY SHELTER AGENCIES**

Key Shelter Agency	Mandates/Roles	Programs/Projects
e. Home Development Mutual Fund (HDMF) more commonly known as the Pag-IBIG Fund (Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno – Cooperation for the Future: You, the Banks, Industries and the Government)	*Presidential Decree (P.D.) No. 1530 dated 11 June 1978* · Created the HDMF to: i) provide public and private employees with decent housing; and ii) address the difficulties of housing finance through establishment of a system of voluntary contributions from government and private employees · Two agencies administered the Fund: *Government Service Insurance System (GSIS) – managed the funds of government workers* *Social Security System (SSS) – handled the funds of private employees* *Executive Order (E.O.) No. 527 dated 1 March 1979* · Transferred the administration of the Fund to the National Home Mortgage Finance Corporation (NHMFC) *Executive Order (E.O.) No. 538 dated 4 June 1979* · Merged the two funds handled by the GSIS and SSS into what is now known as the Pag-IBIG Fund Presidential Decree No. 1752 dated 14 December 1980 · Pag-IBIG became an independent corporation from the NHMFC · Membership to the Pag-IBIG fund was made mandatory for all SSS and GSIS member-employees *Executive Order (E.O.) No. 35 dated 1 August 1986* · Pag-IBIG contributions were suspended from May to July 1986 but were resumed under this E.O. · Membership remained mandatory but contribution rate was reduced from 3 percent to 1 percent for employees earning over PhP1,500 (US$ 36.13) · Employer share also cut from 3 percent to a fixed rate of 2 percent · Maximum Fund Salary was raised from PhP3,000 to PhP5,000 (US$72.25 – US$120.42)	*Savings programs* · Provident/savings benefit · Pag-IBIG Housing Bonds *Lending programs* · Provident loan o Multipurpose loan o Calamity loan program *Retail housing loans* · "Abot-Kamay Pabahay" program · Good Payor Incentive program · "Gabay Pabahay" program · Dacion en Pago · " Magaang Pabahay, Disenteng Buhay" program · Rent-to-Own program · Disposition of Real and Other Properties Owned or Acquired (ROPOA) · Substitution/Replacement of Contract-to-Sell (CTS) Accounts *Wholesale lending* · Development of Medium/High-Rise Condominium Building (MHRB) projects in Metro Manila and Highly Urbanized Cities · Pag-IBIG City program · Credit Facility for private developers · Group Land Acquisition and Development (GLAD) program · Funding Commitment Line (FCL) by Domestic Letter of Credit

ANNEX 2: **ROLES OF KEY SHELTER AGENCIES**

Key Shelter Agency	Mandates/Roles	Programs/Projects
e. Home Development Mutual Fund (HDMF) more commonly known as the Pag-IBIG Fund (Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno – Cooperation for the Future: You, the Banks, Industries and the Government)	*Executive Order (E.O.) No. 90 dated 1 January 1987* · Pag-IBIG fund reverted to being a voluntary program *Republic Act (R.A.) No. 7742 dated 1 January 1995* · Pag-IBIG membership returned to being mandatory	· Pag-IBIG Homes Direct Financing program
f. Home Guaranty Corporation (HGC)	*Republic Act (R.A.) No. 6846 (Abot Kaya Pabahay Fund Act otherwise known as Social Housing Support Fund Act) dated 24 January 1990* · Administer the Cash Flow Guaranty System of the Abot Kaya Pabahay Fund. *Republic Act (R.A.) No. 8763 (The Home Guaranty Corporation Act of 2000) dated 7 March 2000* · Guarantee the payment of any and all forms of mortgages, loans and other forms of credit facilities and receivables arising from financial contracts exclusively for residential purposes and the necessary support facilities (provided that they have been issued HGC Guarantees); · Assist private developers to undertake socialized, low and medium-cost mass housing projects by encouraging private funds to finance housing projects through a viable system of long-term mortgages, guarantees and other incentives; · Promote homebuilding and landownership, giving primary preference to the homeless and underprivileged sectors of the society; · Encourage housing by the aided self-help method; and · Pursue the development and sustainability of a secondary mortgage market for housing. *Republic Act (R.A.) No. 8791 (The General Banking Law of 2000) dated 12 April 2000* · Supervise and regulate building and loan associations.	· *Developmental Loan Guaranty* – covers loans extended to developers for the development of subdivisions, townhouses, dormitories, apartments and other residential dwellings. · *Retail Loan Guaranty* – covers loans and credit facilities extended for the purchase/ acquisition of a single family residence. · *Guaranty for Securitization Schemes* – provides guaranty cover on securities and/or financial instruments or on the receivables backing-up the securities.

ANNEX 2: **ROLES OF KEY SHELTER AGENCIES**

Key Shelter Agency	Mandates/Roles	Programs/Projects
g. Housing and Land Use Regulatory Board (HLURB)	*Executive Order (E.O.) No. 648 dated 7 February 1981* · Promulgate zoning and other land use control standards and guidelines which shall govern land use plans and zoning ordinances of local governments · Review, evaluate and approve or disapprove comprehensive land use development plans and zoning ordinances of local government; and the zoning component of civil works and infrastructure projects of national, regional and local governments; subdivisions, condominiums or estate development projects including industrial estates, of both the public and private sectors and urban renewal plans, programs and projects · Promote, encourage, coordinate and assist private enterprises and government agencies and instrumentalities in planning, developing and coordinating human settlements plans and programs by furnishing legal, technical and professional assistance *Executive Order (E.O.) No. 90 dated 1 January 1987* · Regulate housing and land development · Encourage greater private sector participation in low-cost housing through liberalization of development standards, simplification of regulations and decentralization of approvals for permits and licenses.	

ANNEX 3: **CMP CHECKLIST OF REQUIREMENTS**

ON-SITE

I. PROJECT ENROLMENT/ PROGRAM PARTICIPATION

A. ORIGINATOR ACCREDITATION (FOR NEW APPLICANTS)

1. Application letter
2. Originator's Information Sheet

For Private Originators:

3. SEC/CDA registration and Articles of Incorporation/Code by-laws
4. Bio-data of officers indicating past and present positions held in relation to involvement in community-based economic/social development projects
5. Board resolution or Secretary's Certificate regarding the origination of the project
6. Track record in CMP and/or social housing. The organization has been involved in at least one (1) successful CMP project and/or has completed/ accomplished a social housing project.

For LGU-Originators:

7. Council/Sangguniang Bayan (City Council) resolution
8. Permanent unit/department who will handle processing of CMP

For Other Government Entity:

9. Copy of Charter (if entity is not involved in housing)
10. Authority from Board/Head of Office to originate

B. PROJECT ACCREDITATION

1. Project Basic Information Sheet
2. Landowner Letter of Intent to Sell
3. HLURB Zoning Classification Certificate/DAR Conversion (if classification is other than residential)
4. Preliminary Approval and Locational Clearance (PALC) with supporting documents, viz:
   - 4.1. Subdivision plan with home lot area
   - 4.2. Lot plan
   - 4.3. Vicinity map
5. Present title(s) and three (3) back titles

C. COMMUNITY ASSOCIATION/ COOPERATIVE

1. HLURB registration and Incorporation/ Code of By-Laws and list of current officers and members of the Board of Directors and CA signed by originator.
2. Masterlist of beneficiaries
3. CA's Board Resolution/ Secretary's Certificate
   - to purchase property (description and owner/s)
   - to obtain loan from SHFC-CMP to finance the acquisition of property
   - to mortgage the property as security for the loan to be obtained
4. Memorandum of Agreement/Contract between Community Association and Mortgagee/Assignee or MOA among originator, CA and the SHFC.

II. FOR LOAN EXAMINATION

1. Masterlist of beneficiaries with Loan Apportionment signed by the CA president and originator
2. Proof of pre-payment of Mortgage Redemption Insurance (MRI)/ Documentary Stamp Tax
3. Cash deposit in favor of SHFC equivalent to two (2) months amortization for existing originator or six (6) months amortization for new originator
4. Lease Purchase Agreement (LPA)

III. FOR MORTGAGE EXAMINATION

For Issuance of Letter of Guaranty (LOG):

1. Proof of Road Right of Way (ROW)
2. Real Estate Mortgage (REM)
3. Deed of Assignment from LPA from CA to SHFC
4. Promissory note
5. Collection agreement between CA and SHFC
6. Deed of assignment of loan proceeds from CA to landowner
7. Loan agreement

For Take-Out

1. Deed of sale with Register of Deeds stamp received
2. TCT in the name of CA with annotation of the REM and the Secretary's Certificate issued by CA to its representative
3. CA's Secretary's Certificate with Registry of Deeds (RD) stamp received
4. Real Estate Mortgage duly stamped by RD
5. TCT in the name of the landowner with annotation of Deed of Absolute Sale stamp received by RD

OFF-SITE

I. PROJECT ENROLMENT/PROGRAM PARTICIPATION

A. ORIGINATOR ACCREDITATION (FOR NEW APPLICANTS)

1. Application letter
2. Originator's Information Sheet

For Private Originators:

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4. Preliminary Approval and Locational Clearance (PALC) with supporting documents, viz:

   4.1. Subdivision plan with home lot area

   4.2. Lot plan

   4.3. Vicinity map

5. Present title(s) and three (3) back titles

6. Certification from concerned authorized agency that the beneficiaries are any of the following homogeneous groupings:

   6.1. Living in danger areas;

   6.2. Affected by government infrastructure projects; and

   6.3. With threat of eviction or actual ejection through a case/court order

C. COMMUNITY ASSOCIATION/ COOPERATIVE

1. HLURB registration and Incorporation/ Code of By-Laws and list of current officers and members of the Board of Directors and CA signed by originator.

2. Masterlist of beneficiaries

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3. Cash deposit in favor of SHFC equivalent to two (2) months amortization for existing originator or six (6) months amortization for new originator

4. Lease Purchase Agreement (LPA)

5. Warranty Undertaking to occupy site by 70 percent of the beneficiaries within one (1) year after take-out

III. FOR MORTGAGE EXAMINATION

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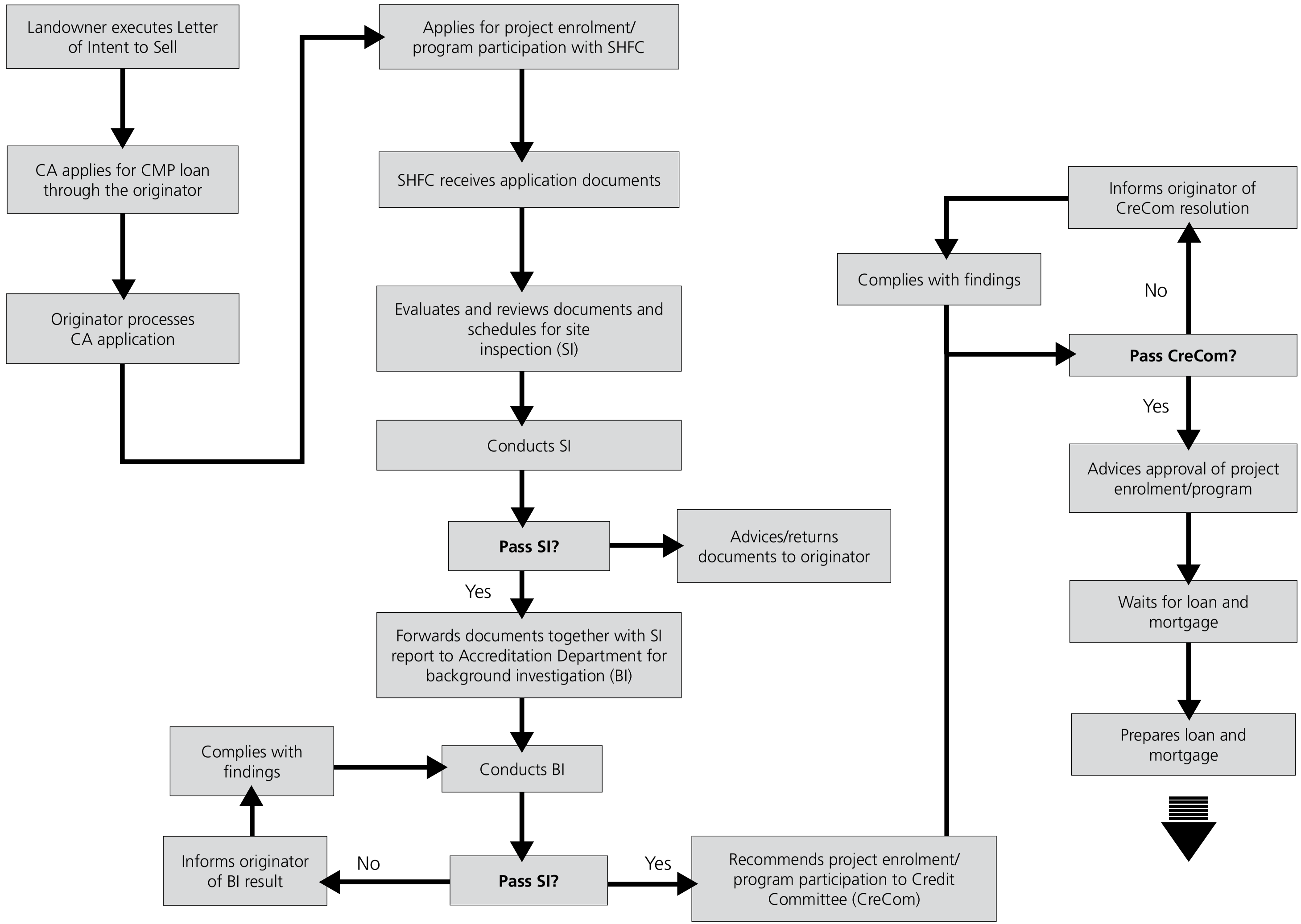
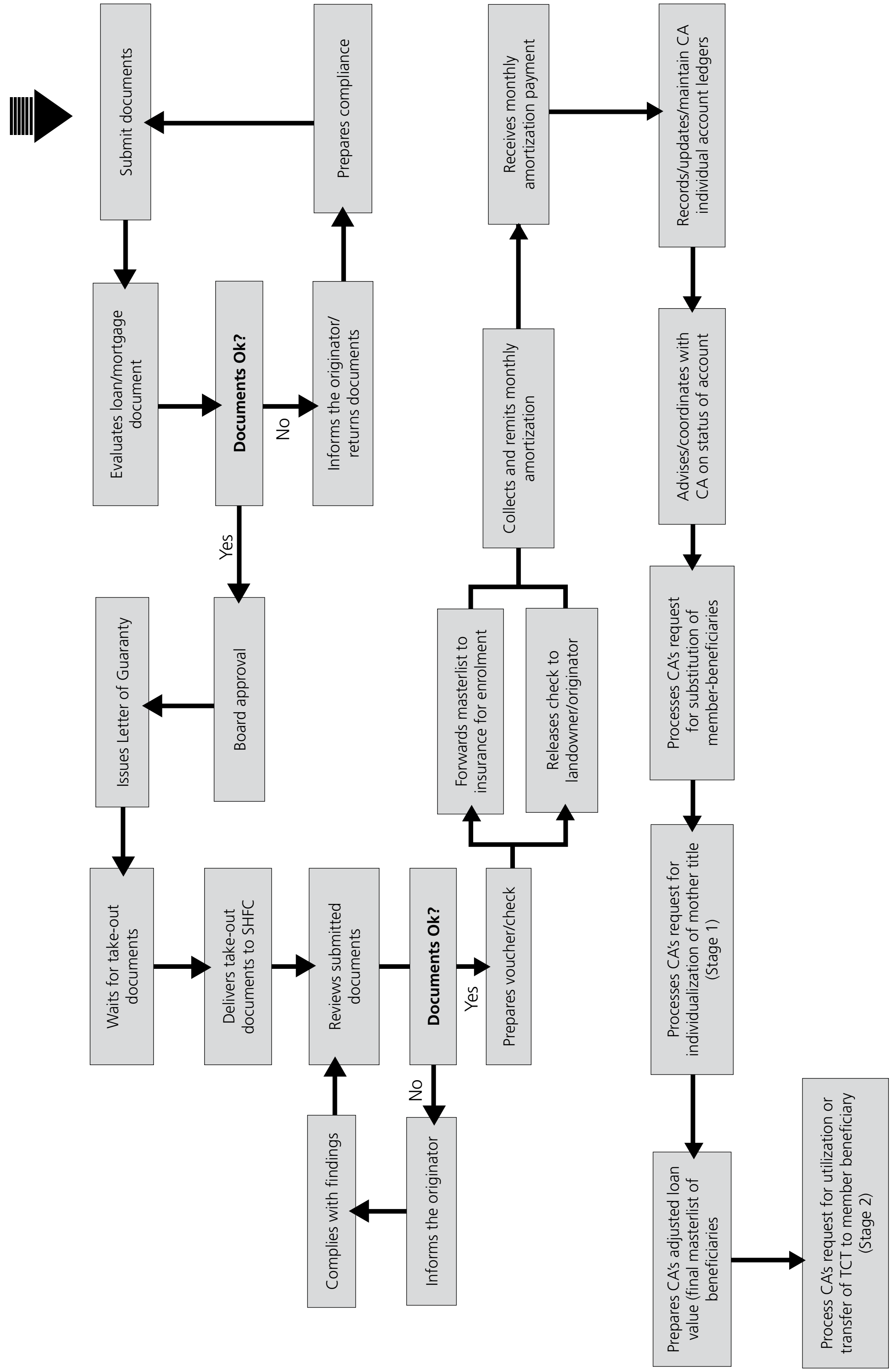
ANNEX 4: **CMP PROCESS FLOW**



ANNEX 4: **CMP PROCESS FLOW**



ANNEX 5: **CMP PROJECTS IN THE PIPELINE (AS OF END-JANUARY 2008)**

STATUS	No. of projects	No. of beneficiaries	Loan amount (in million pesos)
Projects for enrollment	303	38,460	2,308.37
Projects with SHFC Board approval · Board approved with transfer certificate of title (TCT)	20	1,229	54.76
· Board approved projects with letter of guaranty (LOG)	88	6,583	392.34
Projects under examination	133	14,554	833.76
Projects with 50 percent take-out	120	12,276	313.89
TOTAL	**664**	**73,102**	**3,903.12**

Source: Social Housing Finance Corporation

This report examines one of the main innovations and trends in community-based housing finance initiatives – the Community Mortgage Programme in Philippines. The Community Mortgage Programme in Philippines is an innovative financing scheme that aims to realize the dreams of housing ownership among the lowest income sector of the society and to help informal settlers to gain security of land tenure and housing tenure. The programme was launched in 1988 and has evolved into a flagship programme of the Philippines government in low income housing. This report presents the details of the Community Mortgage Programme, assesses its performance as a housing finance programme for the poor, and examines the implementation problems. It also discusses the replicability of the Community Mortgage Programme in other countries facing the similiar housing problems.

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UN HABITAT

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