

# A Presentation on Housing Microfinance

**MR. EDUARDO T. MANICIO**

*Executive Vice President*

Social Housing Finance Corporation

# Overview and Mandate

- Created by Executive Order No. 272 (2004) as a wholly-owned subsidiary of the National Home Mortgage Finance Corporation (NHMFC)
- Mandates SHFC to develop and implement social housing programs that cater to low-income families in both the formal and informal sectors.

# CURRENT STATE OF HOUSING IN THE PHILIPPINES

*Taken from the NISUS' Final Report:*

- ◉ About 1.5 M or about 15% of the Philippines' total urban population are informal settler families (ISFs)
- ◉ Many ISFs live in chronic poverty, confronted by physical, economic, social, legal and environmental risks
- ◉ **Housing backlog of 1.3 M and 12.4 M housing units will be needed by 2030**

# CURRENT STATE OF HOUSING IN THE PHILIPPINES

- ◉ In Metro Manila, Cebu, Davao and other emerging urban centers, **informal settlements stand in stark** contrast to the gated and exclusive communities inhabited by the rich with access to all amenities and conveniences of a comfortable life

# CURRENT STATE OF HOUSING IN THE PHILIPPINES

- ◉ Informal settlers live in sprawling slums that do not meet the basic needs, or worse are used as dumping grounds for hazardous wastes, and where they are oftentimes continually exposed to serious health risk

# SHFC HOUSING PROGRAMS

- Community Mortgage Program (CMP)
- High Density Housing Program (HDHP)

# COMMUNITY MORTGAGE PROGRAM

- ⦿ Allows organized communities of ISFs to obtain security of tenure by providing them affordable loans for land acquisition, site development, and housing construction
- ⦿ Maximum loan amount per ISF: PhP250,000.00
- ⦿ Loan Term: 25 years at an interest rate of 6% per annum
- ⦿ Community partners: CMP Mobilizers (CMP-Ms) - CSOs, LGUs

# HIGH DENSITY HOUSING

- SHFC's contribution to the Oplan Likas (PhP50 Billion Housing Program) for ISFs residing in danger areas in Metro Manila
- Financial assistance is extended to **"Peoples Plan"**
- Loan ceiling per ISF:
  - ✓ PhP300,000 (Single-storey)
  - ✓ PhP350,000 (Two-storey)
  - ✓ PhP375,000 (Three-storey)
  - ✓ PhP400,000 (Four-storey)
  - ✓ PhP450,000.00 (Five-storey)
- Loan Term: **30 years** at an interest rate of **4.5% per annum**

# PROGRAM PERFORMANCE (TAKEN-OUT)

	CMP (July 2010 – May 2016)	HDH (2013 – June 2016)
NO. OF PROJECTS	675	28
NO. OF ISFs	68,696	16,251
LOAN AMOUNT	4.3 B	2.5 B
PHASE 1	4.3 B	1.2 B
PHASE 2	58 M	1.2 B
RE-FINANCING	N/A	159 M
ACCOMPLISHMENT RATE	91.26%	81.82%

# OTHER PROGRAMS

- ◉ Abot-Kaya Pabahay Fund – Development Loan Program (AKPF-DLP)
- ◉ Capacity Building Program (CBP) and Partnership Development
- ◉ Citywide Development Approach (CDA)
- ◉ *Wholesale Lending (Proposed)*

# AKPF – DLP

- Provides loans to corporations, single proprietorship, and LGUs with partner developers who will put up socialized housing projects for low-income families
- The maximum loan amount is PhP15 million for projects covered by CMP and LCMP, and PhP 75 million for those covered by the HDH program
- It has a 6% interest rate per annum

# CBP AND PARTNERSHIP DEVELOPMENT

- The SHFC has made a paradigm shift in its approach to the housing challenge: from mere provision of houses to holistically *forging sustainable communities* where there is reduced poverty and improved well-being among families

# CURRENT ACCOMPLISHMENTS

- > Participatory crafting of the sustainable community development framework and capacity building framework



# INITIAL ACCOMPLISHMENTS

- Conducted workshops on climate change adaptation and mitigation; one each for its Luzon, Visayas and Mindanao regional partners
- Partnered with TAO-Pilipinas (an organization of architects, engineers and planners) to capacitate its partner mobilizers, architects and engineers
- Partnered with Xavier University's Governance Leadership Institute to help mobilizers in the area of visioning and road mapping
- Worked with UN-Habitat and World Bank consultants in the training of partners and community leaders in the supervision and monitoring of construction

# CITYWIDE DEVELOPMENT APPROACH

- ◉ The strategy makes possible a more programmatic and proactive delivery of housing solutions.
  - > Community mapping
  - > Participatory shelter planning
  - > Systematic resource allocation to prioritized projects

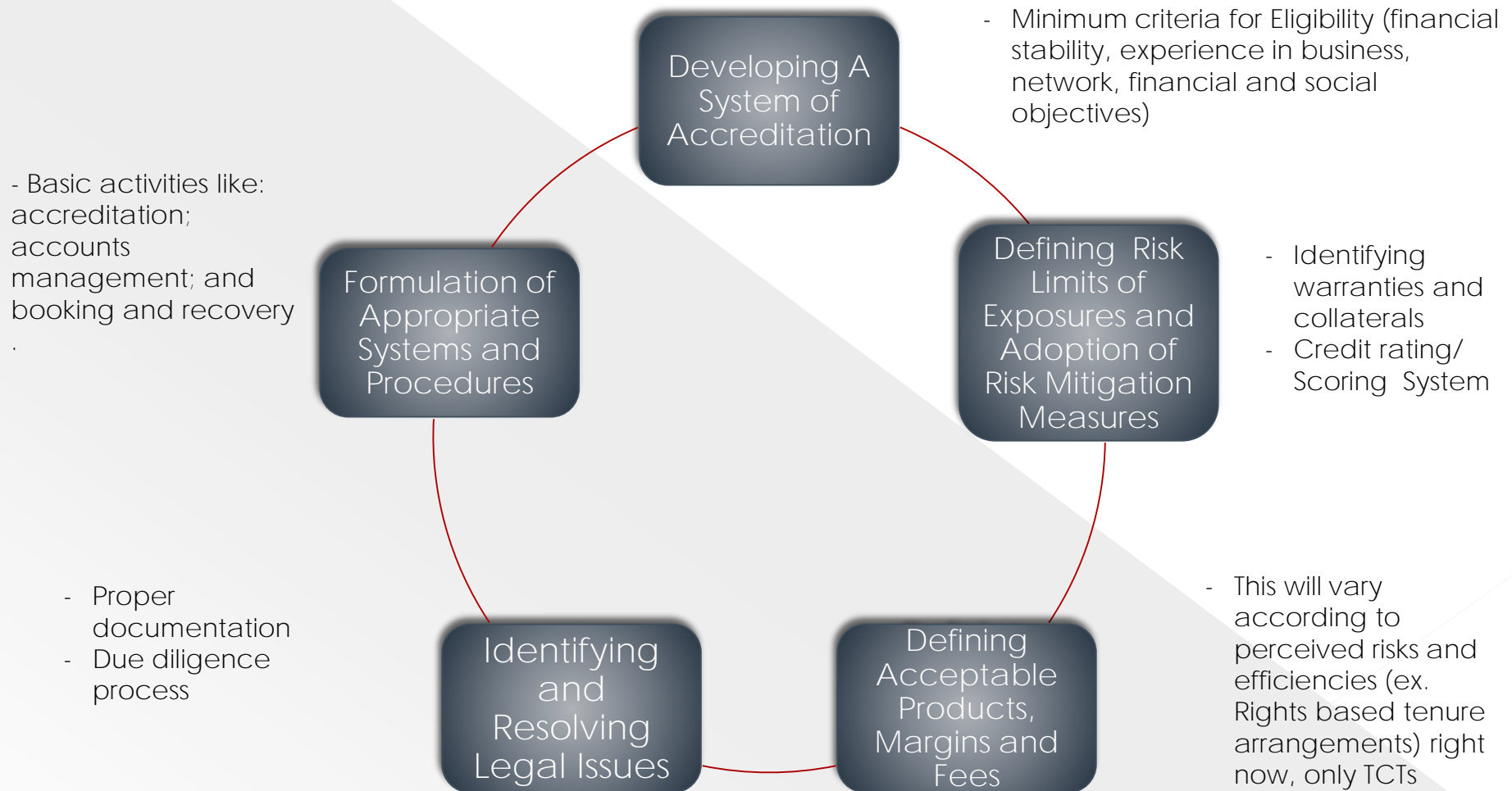
# CURRENT PARTNERSHIPS

- ◉ In Mindanao, SHFC has taken similar initiatives in partnership with the local government of Cagayan de Oro, various stakeholders including the academe (e.g. Xavier University and Mindanao University of Science and Technology)
- ◉ In the Visayas, this approach is also being promoted in Mandaue City

# WHOLESALE LENDING (PROPOSED)

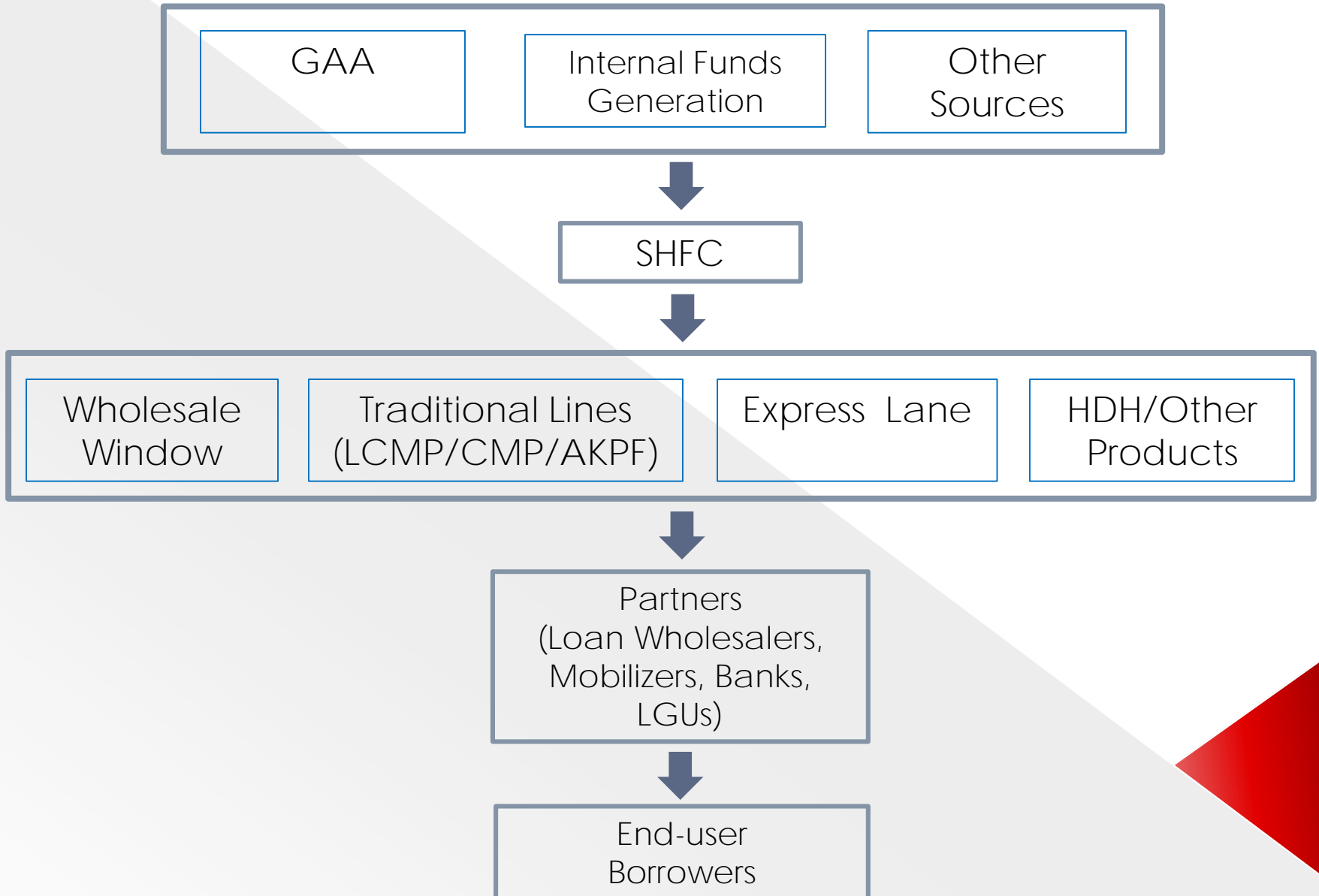
- ◉ Scaling up of ISF housing delivery
- ◉ Supports the objectives and recommended strategies of the NISUS through expanding the role of microfinance and community finance in urban renewal and ISF housing
- ◉ Has been the established mode of downloading project loans of large multilateral institutions and government banks in the country and abroad

# BASIC ELEMENTS IN DEVELOPING THE WHOLESALE LENDING



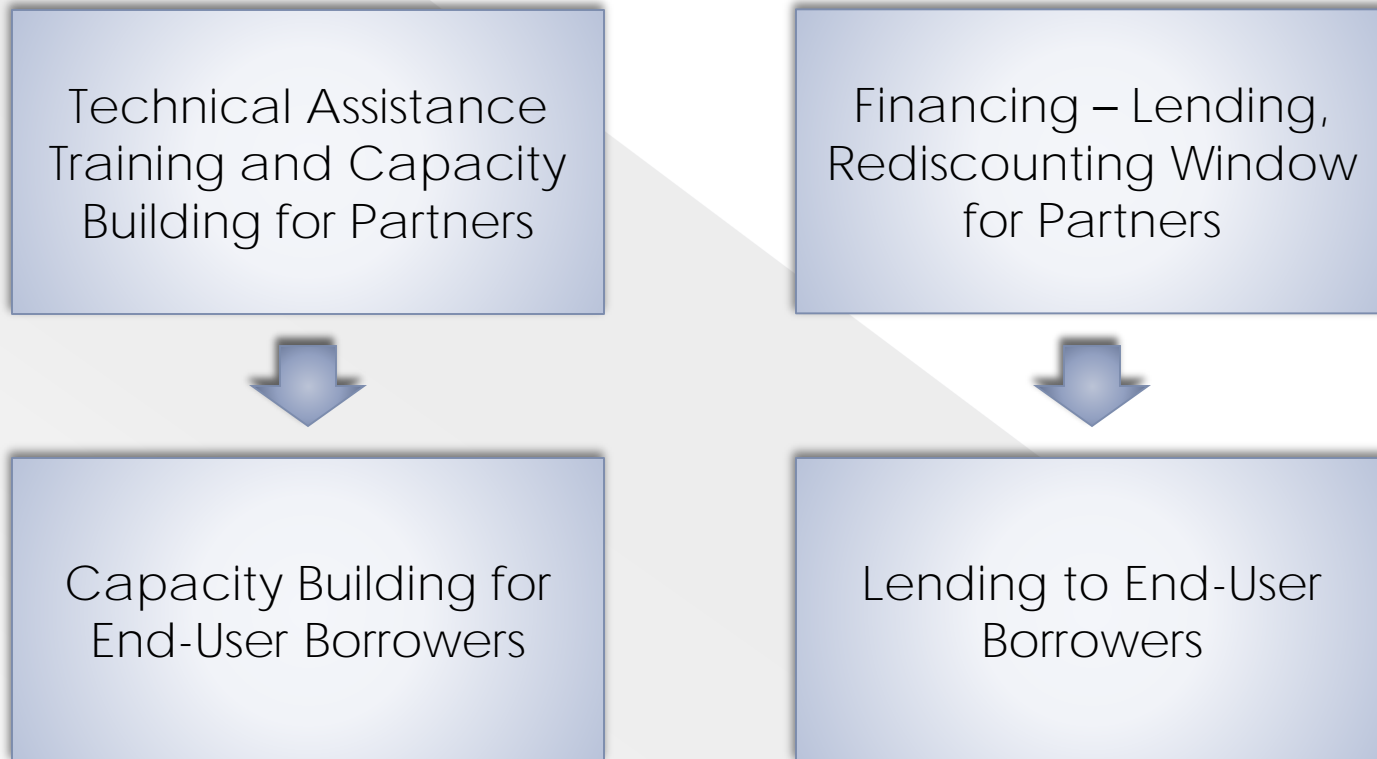
*Note: each of the alternative modes previously cited will require separate systems and verifying procedures and level of due diligence according to the perceived risks*

# SHFC's ENVISIONED FINANCING STRUCTURE

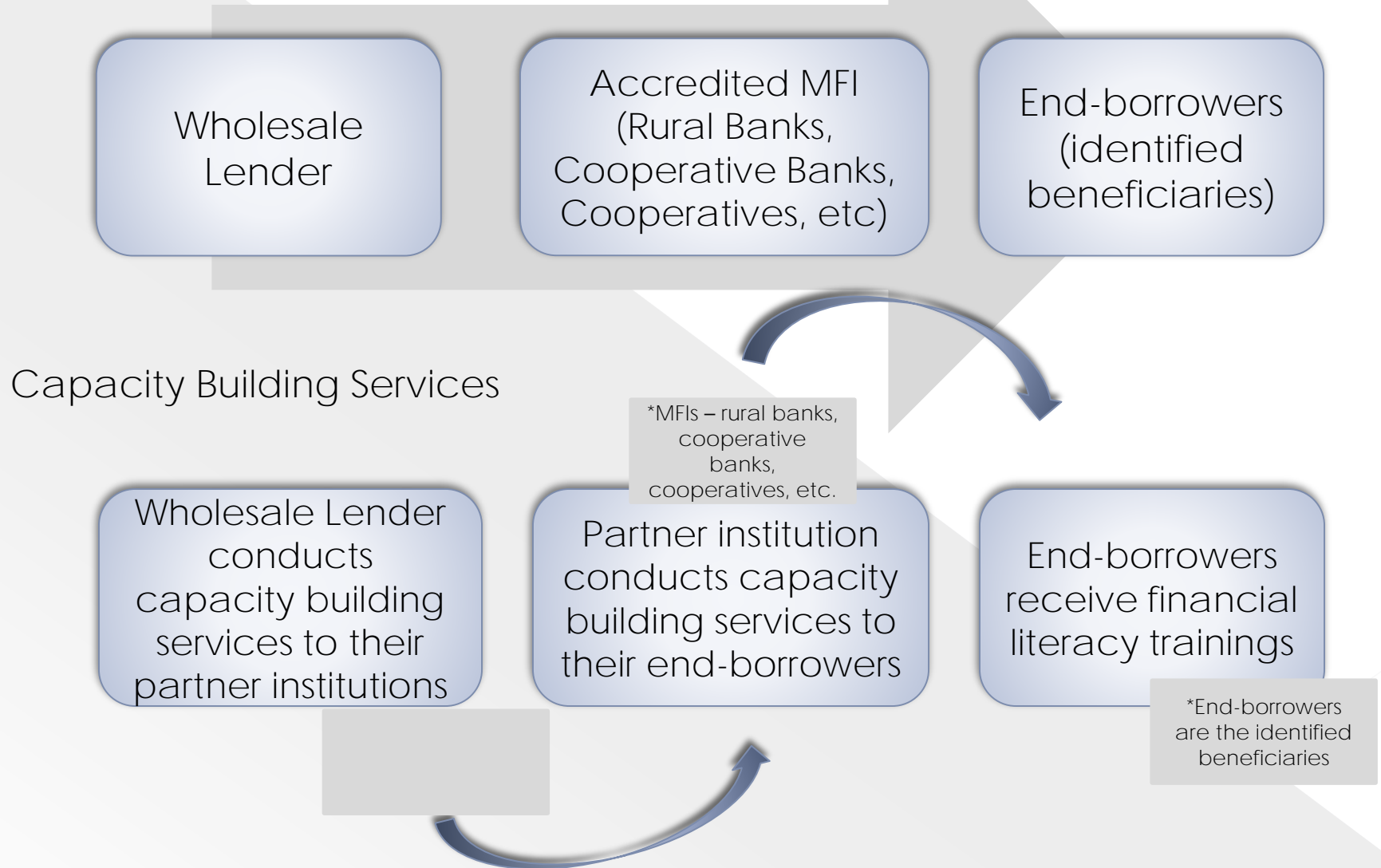


# ELEMENTS OF WHOLESALE LENDING

*(Microbuild Model)*



# THE WHOLESALE LENDING PROCESS – PEOPLES CREDIT



# CHALLENGES AND KEY LESSONS LEARNED

- ◉ Limited number of active NGO and LGU partners with capacities to assist in loan origination and servicing
- ◉ LGU's failure to prioritize housing as investment area
- ◉ Limited NG support through budgetary allocations
- ◉ Need to Rationalize Housing Agencies
- ◉ Affordability levels and the need for subsidy component

# SOLUTIONS TO THE CHALLENGES (NISUS)

- ◉ Guide future land development within the context of strategic city-wide development and CCA/DRRM
- ◉ Adopt informal settlements upgrading with secure tenure within an urban renewal, CCA/ DRRM, and income generating framework
- ◉ Resettle people selectively with appropriate compensation and choice within a sustainable new town framework

# SOLUTIONS TO THE CHALLENGES (NISUS)

- ◉ Engage the private sector and civil society to produce and manage affordable, new homes to ISFs
- ◉ Encourage a fully functioning private rental market
- ◉ Shift more to the market for ISF housing finance
- ◉ Expand the role of microfinance and community finance in urban renewal and ISF housing

# SOLUTIONS TO THE CHALLENGES (NISUS)

- ◉ Target subsidies to those in need based on household incomes
- ◉ Provide appropriate funding for urban renewal and ISF housing
- ◉ Improve capacity of local governments as the lead agencies for urban renewal and ISF housing
- ◉ Improve sector governance

# SOLUTIONS TO THE CHALLENGES (NISUS)

- ◉ Enhance sector leadership, wider vision and improved skills for urban development and ISF housing at the national level
- ◉ Set-up, operationalize and build capacity for appropriate data collection, mapping, knowledge management and monitoring systems
- ◉ Build capacity of people's organizations, community-based organizations and homeowners' associations to engage more in ISF housing

# POSSIBLE AREAS OF COOPERATION WITH MFIs

- ◉ MFIs as community mobilizers
- ◉ MFI as sub-lenders under the Wholesale Lending Program
- ◉ As collection outsourcer
- ◉ As capacity building partners