



25 November 2014

**Hon. Alfredo Albee" B. Benitez**  
Chairman, Committee on Housing  
and Urban Development  
House of Representatives  
Quezon City

Dear Congressman Benitez:

Thank you for inviting us at the Philippine Institute for Development Studies to submit comments.

We are pleased to submit to your committee the attached "Comments on Proposed Amendments to Republic Act No 7835 or the Comprehensive and Integrated Shelter Finance Act (CISFA) of 1994" prepared by Dr. Marife M. Ballesteros.

Should you have any queries, please do not hesitate to get in touch with us. Thank you and best regards.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gilberto M. Llanto', is written above the printed name.

**Gilberto M. Llanto**  
President, PIDS

## **Comments on Proposed Amendments to Republic Act No 7835 or the Comprehensive and Integrated Shelter Finance Act (CISFA) of 1994**

### Background:

1. The CISFA aims to strengthen, promote, and support the National Shelter Program (NSP) by identifying sources of funding and regularizing the yearly appropriations of major programs of the NSP; augmenting the authorized capital stock and paid up capital of the National Home Mortgage Finance Corporation (NHMFC) and the Home Guarantee Insurance and Guaranty Corporation (HIGC).
2. The proposed amendments to CISFA provide for the establishment of a Unified Housing and Urban Development Fund (HUD Fund) to be administered by the HUDCC and a Centralized Home Financing Program (CHFP) administered by a Secondary Mortgage Institution. Both recommendations aim for the centralization of housing funds for the National Shelter Program and for expansion of housing finance.

### Comments

1. Creating a HUD Fund under the current institutional set up would only lead to more bureaucratic hassles. The major programs of the NSP are currently administered and managed by separate housing corporations. The Resettlement program by the NHA; the CMP program by the SHFC. HUDCC provides the coordinating function and together with the key shelter agencies, identify the programs/projects based on the priority areas or programs of the national government as provided in the Philippine Development Plan. Thus, there is no need for HUDCC to administer these funds. The housing funds can be directed to the implementing agencies for appropriate disposal.
2. The centralization of housing fund to be effective would require major institutional change. This would mean the creation of a Department of Housing and amendments in the charters of SHFC and NHA for these agencies to have line functions. Without these changes the HUD fund will just delay rather than facilitate implementation of programs and projects.
3. The legislative agenda for housing should focus on critical concerns that would have better impact in addressing the housing problem. These issues are:

- Adopting a national subsidy framework for housing programs of government for the marginalized and disadvantage sector.
  - Strengthening the Urban Development and Housing Act (UDHA) by ensuring that the local government units undertake responsibilities as local housing managers. Develop a system of incentives and sanctions for compliance. Housing is a national problem but solutions are localized.
  - Amending the balance housing law to encourage mixed used development,
  - Developing a standard system for updating the Comprehensive Land Use Plans (CLUP) of local governments to address land and development issues. The CLUP is a key instrument to identifying lands for socialized housing and thus an important database for shelter planning.
  - Strengthening enforcement of property rights with regards to the curtailment of professional squatting. The Courts should impose stiffer penalties on professional squatting and LGUs and the PNP must be capacitated for more effective curtailment of squatting syndicates.
  - Improving vertical and horizontal linkages for greater complementation between national and local and within national agencies for infrastructure development and service efficiencies (e.g. traffic, solid waste management.
  - Addressing serious infrastructure gaps by putting in place a legal and judicial framework conducive to public-private partnerships.
4. On the creation of a Centralized Home Financing Program (CHFP), this proposal is an attempt to revive the Unified Home Lending Program (UHLP) a financing program administered by the National Home Mortgage Finance Corporation (or NHMFC) and funded by pooled funds from Home Development Mutual Fund (HDMF), Social Security System (SSS), and Government Service Insurance System (GSIS). The UHLP had disastrous effects causing government huge losses. Rough estimate of the amount of funding needed to bring NHMFC up to liquidity and capital adequacy standards and to provide for interest shortfalls for the UHLP is about PHP 23 billion (or slightly over 1% of GNP in March 1996) under fairly conservative scenarios (Bueno and Suguitan, 1997).  
Moreover, the program has no significant impact on the poor and low-income families since the bulk of subsidies were captured by middle and high income borrowers (Llanto and Orbeta 2001).
5. Currently, NHMFC operates as a secondary mortgage institution (SMI). It has gone through a financial rehabilitation resulting in a financial turnaround in 2005. The turnaround was made possible through portfolio management approach focusing on secondary market operations rather than direct lending. Expanding the secondary market for residential mortgage-backed securities is an

6. acceptable strategy to support housing finance, improve down-market penetration, and develop the capital market. The scheme usually involves the establishment of SMIs to purchase housing loans originated by banks or other financial institutions and convert these loans into debt securities. Seldom do these SMIs engage in direct lending. Moreover, prudent underwriting and high credit quality of mortgages are critical to the viability and effectiveness of SMIs.
7. While NHMFC has made financial turnaround, there is yet a need to strengthen NHMFC and rationalize housing finance institutions to enable NHMFC to take the lead in the development of secondary markets.