

# HOME GUARANTY CORPORATION

## 2017 Yearend Report

### I. The Guaranty Operations

All targets for the Guaranty Operations, except for New Enrollments and the number of units in Outstanding Guaranty, have been surpassed. New Enrollments has an 85.22% rate of accomplishment in terms of number of housing units guaranteed and 88.11% for the value of guaranteed loans.

The guaranty premium reached P1.369 billion, which is 103.09% of the targeted P1.328 billion.

**Table 1. Summary of Guaranty Accomplishments**

Indicators	Target		Actual		% to Target	
	No. of Units	Value	No. of Units	Value	No. of Units	Value
New Enrollment	33,647	P61.71 B	28,675	P54.37 B	85.22%	88.11%
Renewal	70,277	P98.29 B	74,461	P117.63 B	105.95%	119.68%
Outstanding Guaranty	103,924	P160.00 B	99,272	P164.70 B	95.52%	109.94%
Premium		P1.328 B		P1.369 B		103.09%

Outstanding Guaranty as of end of December 2017 stood at P164.70 billion covering 99,272 housing units.

Socialized and low-cost housing packages make up 57.32% of the total value of New Enrollments for 2017.

**Table 2. New Enrollments per Housing Package**

Indicators	No. of Units	% to Total	Value	% to Total
Socialized (P450,000 and below)	511	1.78%	P88,280,658	0.16%
Low-cost (above P450,000 to P3M)	20,965	73.11%	P31,076,273,662	57.16%
Medium-cost (above P3M to P4M)	3,690	12.87%	P8,919,659,347	16.41%
Open housing (above P4M)	3,509	12.24%	P14,280,936,372	26.27%
<b>Total</b>	<b>28,675</b>	<b>100.00%</b>	<b>54,365,150,039</b>	<b>100.00%</b>

## **Other Initiatives and Reforms in the Guaranty Business**

### **1. Expanded Socialized Housing Program**

In line with HGC's thrust of promoting financial inclusivity for the low-income sector and financially challenged families, the HGC Board approved the Expanded Socialized Housing Guaranty Program last January 31, 2017.

The Program provides guaranty coverage for socialized housing loans (currently P450,000 and below) of borrowers who are minimum wage earners and can provide a minimum down payment/equity of at least P15,000. This is much lower than the current 10% or P45,000 minimum equity requirement of various financial institutions.

### **2. Stricter Implementation of Guaranty Allocation**

*Republic Act No. 8763 or the HGC Act of 2000* and its Implementing Rules & Regulations states the limitations on the use of the Corporation's net worth based on the various types of housing package. The specific provisions in the Charter and the IRR aim to give primary preference to the underprivileged and lower-income sectors of society.

The template of the *Terms & Conditions* of the Contract of Guaranty executed by and between HGC and various client institutions has been duly revised to reflect the following limitation:

*6.2 Enrollment of loans belonging to the medium and open housing packages shall not exceed 20% and 10%, respectively of the total guaranty line.*

### **3. Credit Ratio Adjustment**

The *Credit Ratio* (also called *Debt-to-Income Ratio*) is utilized by banks, developers and other financial institutions to evaluate the paying capacity and maximum loanable amount of a potential borrower. This ratio was adjusted by the HGC Board from the current 30% to 35% for households/families belonging to at least Income Decile VIII (based on the latest Family Income & Expenditure Survey or FIES enumeration, these are households with monthly incomes of at least P26,667).

Adjustment of this ratio allows more affordable home acquisitions. The credit ratio may be adjusted every three years based on the analysis of the latest results of the FIES undertaken by the Philippine Statistical Authority (PSA).

#### *4. Policy on First Homes*

During a meeting of the HGC Board last April 19, 2017 the Chairman instructed Management to prepare guidelines limiting guaranty coverage to first homes (defined as the first dwelling house, either bought or constructed, and used as the primary residence of the borrower/buyer).

The objectives of the abovementioned policy are to (i) ensure that government assistance and tax benefits are granted only to loans of first home buyers rather than those buying for investment or commercial purposes, and (ii) ensure that all funders of Filipino families acquiring their first homes are not deprived of government assistance/benefits.

#### *5. Extensive Marketing to RBs and Microfinance Institutions*

Soon after we launched the Guaranty on Small Loans for Housing, and to encourage private lenders to lend more to borrowers who need money to incrementally build their homes, or undertake minor repairs, HGC embarked on an extensive marketing campaign to Rural Banks and Microfinance Institutions. We identified the top 100 Rural Banks and encouraged them to partner with us and be more responsive to the housing needs of our countrymen. As a result, we have grown the number of our active partner rural banks from one in January 2010 to 40 in December of 2017. We were also able to grant Guaranty Lines for Small Housing Loans to seven (7) various institutions.

#### *6. Regional Housing Finance Briefings*

As part of our extensive marketing campaign in 2017, we conducted four (4) Regional Housing Finance Briefings in the provinces of Davao, Bulacan, Iloilo, and Cavite. The activity brought together the key players in the housing industry in each province. HGC presented the program to 128 participants (representing 70 various institutions and stakeholders). The topics include relevant demographics and statistics of their respective provinces in terms of employment, household income and expenditure, as well as possible markets for both banks and developers in terms of housing demands and backlog. The briefings increase the awareness among the participants of the importance of housing credit guaranty, positive impact of housing in terms of growth sustainability as well as its positive effect on their local economies.



## II. Asset Management and Disposition

Asset management and disposition has a low rate of accomplishment in terms of the number of housing units/lots sold for this year. It reached only 13.42%, or 126 units out of the targeted 939. This is due to the failed biddings for three Asset Participation Certificate (APC) Projects, consisting of 421 housing units/lots.

The accomplishment for Sales Value, however, reached 195.31% after the successful disposition of LME Project, under long-term lease, amounting to P1.20 billion.

**Table 3. Summary of Asset Disposition Accomplishments**

Target		Accomplishment		% to Total	
No. of Units	Sales Value	No. of Units	Sales Value	No. of Units	Sales Value
939	P687.20 M	126	P1.342 B	13.42%	195.31%

As of end of December 2017, the remaining inventory of HGC's acquired Real Property assets is at 8,902 units with sales value of P18.354 billion. Acquired Non-Real Property assets consisting of HCPTI shares of stocks is at 1,464,500 with sales value of P1.465 billion.

**Table 4. Remaining Inventory of Acquired Assets**

Asset Classification	Units	Sales Value
<b>A. Real Property</b>		
Developmental Projects	1,185	P971.35 M
APC Projects	2,885	P16,595.50 M
Retail Accounts	339	P138.74 M
Others (CMP, CHP, BLISS, Reloc.)	4,493	P648.12 M
<b>Total</b>	<b>8,902</b>	<b>P18,353.71 M</b>

B. Non-Real Property	Shares	Sales Value
HCPTI shares of stocks	1,464,500	P1,464.50 M

To reduce the inventory, HGC is cleaning up the assets with legal infirmities to make them saleable in the market.

### III. Collection of Receivables from Acquired Assets

HGC's collection efficiency from 1,096 accounts of sold acquired assets is 92.19%.

**Table 5. Amortization Collection from January to March 2017**

Particulars	No. of Accounts	Outstanding Loan Balance (Php Mn)	Collection Target (Php Mn)	Actual Collection (Php Mn)	Collection Efficiency
<b>Current Accounts and Lease Receivables (0-3 months payment arrears)</b>					
Lease of Acquired Asset	42	n/a	217.80	213.27	97.92%
Guaranteed Accounts	464	160.08	67.04	54.76	81.68%
BLISS Accounts	309	82.32	21.89	17.76	81.13%
Coop/ CMP	147	11.89	5.90	3.62	61.36%
Trust Accounts	36	7.17	6.51	4.77	73.27%
<b>SUB-TOTAL</b>	<b>998</b>	<b>261.46</b>	<b>319.14</b>	<b>294.18</b>	<b>92.18%</b>
<b>New Sales</b>	-	-	-	-	-
Lease of Acquired Asset	13	n/a	21.45	21.45	100.00%
Guaranteed Accounts	34	15.77	4.10	3.77	91.95%
BLISS Accounts	23	4.54	3.95	2.81	71.14%
Coop/ CMP	19	3.97	1.78	0.95	53.37%
Trust Accounts	9	4.56	0.61	0.47	77.05%
<b>SUB-TOTAL</b>	<b>98</b>	<b>28.84</b>	<b>31.89</b>	<b>29.45</b>	<b>92.35%</b>
<b>GRAND TOTAL</b>	<b>1,096</b>	<b>290.30</b>	<b>351.03</b>	<b>323.63</b>	<b>92.19%</b>

### Ensuring Current Accounts Remain Current and Preventing Buyer's Delinquency

To ensure that accounts remain current, the following strategies are being applied:

1. Close monitoring of accounts. Proven as an effective strategy last year, current accounts are being closely monitored to prevent any delinquency or default in amortization payment. Statements of Account (SOA) of clients are sent to their registered addresses on a regular basis. Clients are also encouraged to avail themselves of the on-line collection facility of Land Bank of the Philippines (LBP) for easier payments.
2. Monthly reminders to buyers/lessees. Clients are given calls before the due dates of their payments.

3. Encourage buyers to take-out their loans from financing institutions like HDMF and banks that offer lower interest than HGC.

### **Bringing Delinquent Accounts to Current State**

Strategies implemented to bring delinquent accounts to current status are as follows:

1. Implementation of the 15-year restructuring program. Under the program, delinquent buyers/lessees are given the option to restructure their total obligation under the following terms:
  - Total obligation payable over a period of one year with no interest on amortized payments, or
  - Total outstanding obligation payable over a maximum term of 15 years or the remaining term of the loan: minimum down payment of 10% of the total obligations, payable in six (6) months without interests. Balance payable over 15 years or remaining term of the loan with interest at 6%, 9% or 12% depending on the amount of outstanding obligation. A discount of 1% on the interest rate is given for payments that are settled on or before the due date.
2. Engagement of additional collection agents. Clearance/approval is still pending with the Commission on Audit (COA).
3. Endorsement of delinquent accounts to Legal and ultimately to the collection agent for collection services, if necessary.
4. Negotiated/approved acceptable payment options for delinquent/ undocumented accounts.

### **Other Corporate Initiatives**

#### *1. ISO 9001:2015 & ISO/IEC 27001:2013 1<sup>st</sup> Surveillance Audit*

HGC passed its 1<sup>st</sup> Surveillance Audit for ISO 9001:2015 & ISO/IEC 27001:2013 in May 2017, which means the Corporation is able to maintain and sustain the implementation of the standards prescribed by the above-mentioned versions of the ISO. TUV Rheinland conducted the audit.

## *2. Operations Audit on Building and Loan Associations (BLAs)*

HGC was able to conduct operations audit to three (3) BLAs in 2017, namely: Home Credit Mutual Building and Loan Association, Tahanan Mutual Building and Loan Association; and Cebu Mutual Building and Loan Association.

## *3. Automation of HGC Processes*

After being stalled for some time, the automation of HGC processes has resumed late of 2017. This is part of the Corporation's Information System Strategic Plan (ISSP), formulated to develop a customized IT solution in support of HGC's various operations.