

HOME GUARANTY CORPORATION

2018 Yearend Report

I. Guaranty Operations

All performance indicators of the guaranty business have been surpassed in 2018. Home Guaranty Corporation mobilized P73.73 billion worth of private funds from banks, developers, and other financial institutions covering the construction of new housing units that benefitted 51,493 households. This exceeded the targeted value of P60 billion by 22.88% and the targeted number of housing units by 47.12%.

The Outstanding Guaranty, which includes new enrollment and guaranty renewal is at P199.53 billion covering 133,207 housing units. This is also above the targeted value of P172.00 billion by 16.00% and the 102,750 targeted number of housing units by 29.64%.

Guaranty Premium stands at P1.64 billion, which is 12% higher than the P1.46 billion target.

Table 1. Summary of Guaranty Accomplishments

Indicators	Target		Actual		% to Target	
	No. of Units	Value (PhP Bn)	No. of Units	Value (PhP Bn)	No. of Units	Value
New Enrollment	35,001	60.00	51,493	73.73	147.12%	122.88%
Renewal	72,750	112.00	81,447	123.08	111.95%	109.89%
Outstanding Guaranty	102,750	172.00	133,207	199.53	129.64%	116.00%
Premium		1.46 Bn		1.64 Bn		112.33%

For 2018, HGC aimed to allocate at least 76% of the value of the Outstanding Guaranty to Socialized and Low-Cost housing packages. The combined allocated value reached 72.56%. In terms of the number of housing units covered, the combined Outstanding Guaranty allocation to Socialized and Low-Cost housing packages is at 86.02%.

Table 2. Distribution of Outstanding Guaranty per Housing Package

Indicators	No. of Units	% to Total	Value (PhP Bn)	% to Total
Socialized (P450,000 and below)	2,509	1.88%	0.50	0.25%
Low-cost (above P450,000 to P3M)	112,077	84.14%	144.27	72.31%
Medium-cost (above P3M to P4M)	11,310	8.49%	26.20	13.13%
Open housing (above P4M)	7,311	5.49%	28.55	14.31%
Total	131,866	100.00%	199.52	100.00%

Guaranty Calls

HGC approved for payment three (3) retail guaranty claims amounting to P4.76 million.

Reforms in the Guaranty Business*1. Adoption of Policy on First-time Homebuyers*

This policy limits 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) with the following objectives:

- Ensure that government assistance and tax benefits are granted only to loans of first-time homebuyers rather than those buying for investment or commercial purposes, and
- Ensure that all funders of Filipino families acquiring their first homes are not deprived of government assistance/benefits

HGC developed a computer program with a system that is able to identify first-time home borrowers. This resulted to the disqualification of 1,967 housing loans worth P10.59 billion, thereby freeing this amount for allocation to first-time home borrowers.

2. Stricter Implementation of Guaranty Allocation

In accordance with the provisions of RA 8763 (the HGC Act of 2000) on the use of the Corporation's net worth, HGC requires that enrollment of loans belonging to the medium and open housing packages shall not exceed 20% and 10% of the total guaranty line, respectively, to give primary preference to the underprivileged and lower-income sectors of society.

3. *Regional Allocation of HGC's Guaranty Portfolio*

HGC instituted a policy for regional allocation of its guaranty portfolio to benefit all home borrowers across the country:

- Not more than 70% for Luzon;
- At least 20% for Visayas; and
- At least 10% for Mindanao

4. *Liberalization of credit ratio requirement from 30% to 35% of gross monthly income of borrowers*

This policy is intended to make home financing more affordable.

5. *Adoption of policies that promote prudence in the approval of guaranty line applications of rural banks:*

- Minimum Capital Adequacy Ratio (CAR) of at least 15% or the industry average, whichever is higher; and
- Return on Equity (ROE) ratio should be at par or higher than the rural bank's industry average for the past two (2) years

II. **Management and Disposition of Acquired Assets**

Out of the targeted 501 units of acquired properties, only 61 of these were sold in 2018. Nevertheless, the accomplishment in Sales Value reached 675.11% with the disposition of the National Government Center-Commonwealth Enterprise Zone (NGC-CEZ) at P1,014.64 million and the Old Bilibid Compound (OBC) at P4,278.50 million through *dacion en pago* arrangement with the Social Security System (SSS) as payment for HGC's guaranty obligation.

Table 3. Summary of Asset Disposition Accomplishments

Asset Classification	Units	Sales Value (Php Mn)
Developmental Projects	29	77.53
APC Projects	6	5,349.94
Retail Accounts	22	25.53
Others (CMP, CHP, BLISS, Relocation)	4	1.10
SUBTOTAL	61	5,454.09
Other Assets (Share on JVA)	-	143.42
TOTAL	61	5,597.51
2018 Target	501	829.13
% of Accomplishment to Target	12.18%	675.11%

The value of the remaining acquired assets for sale is at P14,890.28 million comprising of 8,810 units.

The HGC shares at Harbour Centre Port Terminal, Inc. (HCPTI) is still at 1,464.50 with par value of P1,464.50 million.

Table 4. Remaining Inventory of Acquired Assets

Asset Classification	Units	Sales/Par Value (Php Mn)
Developmental Projects	1,166	959.86
APC Projects	2,876	13,172.00
Retail Accounts	346	126.74
Others (CMP, CHP, BLISS, Reloc.)	4,422	631.67
TOTAL	8,810	14,890.28

HCPTI shares	1,464.50	1,464.50
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HGC continuously cleans up assets with legal infirmities to make them saleable in the market.

III. Collection of Receivables from Acquired Assets

HGC's collection efficiency for the year is 95.16%, surpassing the targeted 95%. The collection reached P332.70 million from 1,022 accounts, composed of 907 current accounts and 115 new sales accounts.

Table 5. Amortization Collection

Particulars	No. of Accounts	Outstanding Loan Balance (Php Mn)	Collection Target (Php Mn)	Actual Collection (Php Mn)	Collection Efficiency
Current Accounts and Lease Receivables (0-3 months payment arrears)					
Lease of Acquired Asset	49	N/A	251.80	257.87	102.40%
Guaranty Called Accounts	400	132.54	39.69	34.00	85.66%
BLISS Accounts	289	83.02	23.63	14.80	62.63%
Coop/ CMP	134	11.03	5.77	2.91	50.43%
Abot-Kaya/ Resettlement Projects	35	8.58	5.87	5.69	96.93%
SUB-TOTAL	907	235.17	326.76	315.25	96.48%
New Sales	-	-	-	-	-
Lease of Acquired Asset	6	N/A	6.80	6.80	100.00%
Guaranty Called Accounts	14	5.31	2.00	2.00	100.00%
BLISS Accounts	16	9.87	8.27	3.07	37.12%
Coop/ CMP	42	7.56	2.14	2.24	104.67%
Abot-Kaya/ Resettlement Projects	37	6.47	3.67	3.34	91.01%
SUB-TOTAL	115	29.21	22.88	17.45	76.27%
GRAND TOTAL	1,022	264.38	349.64	332.70	95.16%

To maintain the high level of collection efficiency and ensure that current accounts (with 0-3 months in arrears) remain current, HGC implemented the following strategies:

1. Continued close monitoring of accounts by sending clients their Statement of Account (SOA) regularly, and updating their addresses and contact numbers. This is a proven effective strategy in preventing delinquency or default in amortization payments.
2. Monthly reminders to buyers and lessees. HGC calls the clients before the due date of their payments to avoid missing it.
3. Encouraging buyers to take-out their loans from financing institutions like Pag-IBIG and banks that offer lower interest than HGC.

To bring delinquent accounts (more than 3 months in arrears) to current status, these strategies were applied:

1. Continued implementation of the 15-year Restructuring Program to the beneficiaries of these projects:
 - Bernabe Subdivision
 - Sariling Pabahay sa Riles
 - Cogeo FM Bliss
 - Tondo Dagat-Dagatan FM Bliss
 - Malaban
 - MASHAI
 - Pila
 - Sambayanihan
 - Employees Journalist Association of the Philippines (EJAP)
 - Suburban Housing Project
 - Villa Espana
 - Family Village Resources
 - Friendship Village
 - North Hills Village
 - Montalban Heights

Under this program, delinquent buyers are given the option to restructure their total obligation under the following terms:

- Total obligation payable over a period of one (1) year without interest on amortization payments;
 - Total outstanding obligation payable over a maximum term of 15 years or the remaining term of the loan with a minimum down payment equivalent to 10% of the total obligation, payable in six (6) months without interest, simultaneous with the monthly amortization. Balance payable with interest of 6%, 9%, or 12% depending on the total outstanding obligation.
2. Continued implementation of the 5-Year Restructuring Program. This is extended to homebuyers, as follows:
 - For accounts with unexpired term:
 - A minimum down payment of ten percent (10%) of the total arrearages payable over a period of six (6) months simultaneous with the monthly amortization of the original and the restructured obligation.

- The balance of the total arrearages shall be payable over a period of five (5) years or the remaining term of the original loan, whichever is shorter, with interest rate of the original loan.
- For accounts with expired term:
 - A minimum down payment of ten percent (10%) of the total arrearages payable over a period of six (6) months simultaneous with the monthly amortization of the restructured obligation.
 - The balance shall be payable over a maximum term of five (5) years, with interest rate of the original loan.
- 3. Implementation of the 1% prompt-payor-reduction on interest rate. This is given to borrowers, whose monthly amortizations are paid on or before the due date.
- 4. Endorsement of delinquent accounts to Legal Group for appropriate legal action.
- 5. Evaluation and acceptance of offers for full settlement using the net present value (NPV) computation. Under this full payment scheme, the resultant yield/discount should be higher than the Weighted Average Cost of Capital (WACC) and the 364 T-Bill rate at the time of the Contract to Sell.
- 6. Random site visits to delinquent buyers and lessees to determine reasons of default and status of the property.

IV. Other Corporate Initiatives

1. ISO 9001:2015 & ISO and IEC 27001:2013 2nd Surveillance Audit

HGC passed its 2nd Surveillance Audit for ISO 9001:2015 and ISO/IEC 27001:2013 in June 2018, 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 Philippines conducted the audit.

2. Automation of HGC Processes

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.

As of end of December, 10 out of the 20 systems for automation were already in use. All systems are at least 80% complete.

3. *Customer Satisfaction Survey*

People Dynamics, Inc. conducted the Customer Satisfaction Survey in March covering the 2017 performance of HGC. The survey aims to gauge the customers' satisfaction rating to five services of HGC, as follows:

- Guaranty Line Application;
- Guaranty Enrollment;
- Guaranty Claim/ Call;
- Marketing and Sales of Real Property; and
- Billing and Collection

To measure that, the survey probed the respondents' rate of satisfaction on the following areas:

- Process and Process Requirement
 - The process is well-communicated
 - Steps in accessing the service are easy to follow
 - The documentary requirements are easy to comply with
 - The provisions of the contract are clear and easy to understand
- Services Rendered
 - Quality of service provided
 - Knowledge and competence of staff
 - Professionalism and courtesy of staff
 - Timeliness of service
 - Responsiveness to client needs

Overall customer satisfaction rating to the five HGC services is 4.10/ 5 or "Very Satisfied."