

HOME GUARANTY CORPORATION

2016 Yearend Report

I. The Guaranty Operations

New Guaranty Lines

The Home Guaranty Corporation (HGC) approved a total of P84.947 billion worth of new guaranty lines to 24 institutions, consisting of banks, developers and other funders. Of this amount, P84.857 billion was allotted for Retail Guaranty and the remaining P90 million was apportioned for Small Housing Loans.

The Guaranty Group is in constant coordination with these 24 institutions to ensure utilization of the lines granted to them.

Table 1. 2016 Guaranty Line Approvals

Date of Board Approval	Bank/Funder/Developer	Amount/Guaranty Facility
Feb. 18	Philippine Savings Bank	P15 Bn Retail Guaranty Line
	United Coconut Planters Life Assurance Corporation	P3 Bn Retail Guaranty Line
	Rural Bank of Lanuza (Surigao del Sur), Inc.	P12 Mn Retail Guaranty Line & P10 Mn Small Housing Loans
March 30	Sun Savings Bank	P100 Mn Retail Guaranty Line
	Rural Bank of Solano	P50 Mn Retail Guaranty Line & P10 Mn Small Housing Loans
	Cantillan Bank	P15 Mn Small Housing Loans
May 4	China Bank Savings, Inc.	P1 Bn Retail Guaranty Line
	Lipa Bank, Inc.	P50 Mn Retail Guaranty Line & P50 Mn Small Housing Loans
June 20	China Bank Corporation	P10 Bn Retail Guaranty Line
	Wealth Development Bank	P200 Mn Retail Guaranty Line
Oct. 25	RCBC Savings Bank, Inc.	P5 Bn Retail Guaranty Line
	Janiuay Rural Bank, Inc.	P20 Mn Retail Guaranty Line
	New Rural Bank of San Leonardo (Nueva Ecija), Inc.	P30 Mn Retail Guaranty Line
	Rural Bank of Jaen, Inc.	P20 Mn Retail Guaranty Line
Dec. 13	BPI Family Savings Bank, Inc.	P25 Bn Retail Guaranty Line

	PNB Savings Bank	P10 Bn Retail Guaranty Line
	East West Banking Corporation	P10 Bn Retail Guaranty Line
	China Bank Savings, Inc.	P4 Bn Retail Guaranty Line
	Ortigas and Company Limited Partnership	P500 Mn Retail Guaranty Line
	Tahanan Mutual Building and Loan Association, Inc.	P500 Mn Retail Guaranty Line
	Malarayat Rural Bank, Inc.	P200 Mn Retail Guaranty Line
	Cebuana Lhuiller Rural Bank, Inc.	P60 Mn Retail Guaranty Line
	Progressive Rural Bank, Inc.	P50 Mn Retail Guaranty Line
	Rural Bank of Bolinao (Pangasinan), Inc.	P45 Mn Retail Guaranty Line & P5 Mn Small Housing Loans
	Gateway Rural Bank	P20 Mn Retail Guaranty Line

In terms of guaranty operations, targets for Guaranty Renewal, Outstanding Guaranty and Premium had all been surpassed. New Guaranty Enrollments, however, only reached 96% of its targeted amount and 90% of its projected number of housing units.

Table 2. Summary of Guaranty Accomplishments

Indicators	Target		Actual		% to Target	
	No. of Units	Amount (Php Mn)	No. of Units	Amount	No. of Units	Amount
New Enrollment	32,295	61,000	29,080	58,771,200,664	90%	96%
Renewal	52,835	65,049	67,499	94,404,730,226	128%	145%
Outstanding Guaranty	83,412	126,000	93,332	149,167,294,270	112%	118%
Premium		1,071		1,268,346,098		118%

Accounting for the number of housing units covered by the guaranty, socialized and low cost housing loans still stand as the biggest beneficiaries of the HGC guaranty, consisting of 80.21% of the Outstanding Guaranty, as of yearend 2016. Medium cost and open housing took 9.23% and 10.56%, respectively.

Table 3. Outstanding Guaranty Per Housing Packages

Indicators	No. of Units	% to Total	Amount	% to Total
Socialized (P450,000 and below)	9,696	10.39%	1,017,521,906	0.68%
Low cost (above P450,000 to P3M)	65,161	69.82%	84,129,658,410	56.40%
Medium cost (above P3M to P4M)	8,620	9.23%	21,591,082,328	14.48%
Open housing (above P4M)	9,855	10.56%	42,429,031,626	28.44%
Total	93,332	100%	149,167,294,270	100%

Call on the HGC Guaranty

HGC paid guaranty call for four (4) housing units amounting to P5,074,552.

II. Asset Disposition and Management

HGC targeted to sell 827 housing units but only sold 27.33% of these, or 226 housing units. In sales value, however, the P960.27 million target had been exceeded by 126.19%, reaching P2.172 billion in amount of assets sold.

Total cash inflow from the sold assets was at P102.42 million.

Table 4. Summary of Asset Disposition Accomplishments *(Values in Php Millions)*

Asset Classification	Units	Sales Value	Cash Inflow
Developmental Projects	85	87.86	27.97
APC Projects	38	2,040.05	57.65
Retail Accounts	55	35.04	9.78
Others (CMP, CHP, BLISS, Reloc.)	48	9.05	7.02
TOTAL	226	2,171.99	102.42
2016 Target	827	960.27	891.81
% of Accomplishment to Target	27.33%	226.19%	11.48%

As of yearend 2016, HGC has 1,473,494 units of remaining acquired assets for disposition. The assets have a total sales value of P19.017 billion.

Table 5. Remaining Inventory of Acquired Assets

Asset Classification	Units	Sales Value
Developmental Projects	1,287	1,031,850,000
APC Projects	2,939	15,674,260,000
Retail Accounts	415	182,220,000
Others (CMP, CHP, BLISS, Reloc.)	4,579	664,480,000
Subtotal	9,220	17,552,810,000
Other Assets	1,464,500	1,464,500,000
TOTAL	1,473,720	19,017,310,000

Status of Disposition Under the Beneficial Land Use (BLU) Scheme

Since 2014, HGC has been implementing the program called Beneficial Land Use (BLU) Scheme, targeting the undocumented occupants of the various properties owned and managed by HGC. Negotiated sale is offered, wherein the selling price, interests and penalties are adjusted to arrive at a more affordable payment terms. This encourages the undocumented occupants to enter into Contract to Sell with HGC, thereby legalizing their tenure.

Out of the 15,307 undocumented families, only 607 of them have since availed of the BLU Scheme. The sales value from these negotiated sale amounts to P107.61 million. A total of P1.483 billion is expected to be earned once the remaining 14,700 undocumented families join in.

The Marketing and Sales Department already issued final demand letters to the occupants during the last quarter of 2016, stating that they have only 15 more days from the receipt of said letter to coordinate with HGC for the settlement of their account.

Table 5. Status of the BLU Scheme

Project	Beneficiaries as of 2014	Documented (2014 to 2016)	Sales Value (Php Mn)	Undocumented (as of Dec. 31, 2016)	Sales Value (Php Mn)
MASHAI	488	15	2.66	473	97.56
Sambayanihan	178	131	18.97	47	6.87
Matapat	19	-	-	3	10.64
FM Pasig	149	98	16.71	51	9.03
Pila	32	3	0.19	29	1.88
Malaban	363	3	0.04	360	5.15
BF Bernabe	127	75	32.68	52	35.01

Pinesville	285	148	15.42	137	19.21
Sapari	184	2	0.66	182	79.43
Sub-total	1,825	475	87.33	1,334	264.78
Relocation and Trusteeship Projects:					
Jovil Village III	362	25	3.58	337	159.65
Suburban Housing	696	107	16.70	589	206.03
Montalban Heights I & II Relocation Project	3,217	-	-	3,217	202.30
Family Village Resources Project	1,620	-	-	1,620	112.88
North Hills Village	4,414	-	-	4,414	316.13
Friendship Village Resources Projects	3,173	-	-	3,173	221.56
Sub-total	13,482	132	20.28	13,350	1,218.55
Grand Total	15,307	607	107.61	14,700	1,483.33

Re-conveyance and Turnover of Rural Bliss and Other Regional Projects to LGUs

HGC still continues to negotiate with various Local Government Units (LGUs) for the re-conveyance and turnover of the BLISS and other regional projects. Through this initiative, HGC hopes to recover its exposure from these projects.

The process requires the LGUs to submit Sanggunian resolutions approving/accepting the re-conveyance and/or turnover of the BLISS projects on an “as-is, where-is” basis.

The projects for re-conveyance/turnover are as follows:

Table 6. Rural Bliss and Other Regional Projects for Re-conveyance/Turnover

Project	Location	No. of Housing Units	No. of Families
San Fabian RB-1	Brgy. Mabilao, San Fabian, Pangasinan	50	50
Sta. Barbara RB-1	Brgy. Balingueo, Sta. Barbara, Pangasinan	50	50
Nampicuan RB-1	Brgy. Cabaducan East, Nampicuan, Nueva Ecija	50	50
Silay RB-1	Brgy. Guimbalaon, Silay City, Negros Occidental	50	50
Gandara RB-1	Brgy. Calicoran, Gandara, Western Samar	Heavily damaged	-
Western Heights Subdivision	Sitio Pagbalican, Brgy Matobato, Calbayog City	None	-

Cotabato City RB-1	Brgy, Notre Dame, Rosary 8, Cotabato City	50	50
TOTAL		250	250

III. Collection of Receivables

The collection efficiency for Current Accounts and Lease Receivables stands at 95.87%. This is comprised of 1,216 accounts with targeted collection of P266.41 million from the total outstanding loan balance of P308.53 million. For delinquent accounts, the collection efficiency is still low, reaching only 51.20%, or P13.47 million out of the P26.31 million target. New Sales recorded a collection efficiency of 85.58%, from 79 accounts with targeted collection of P28.77 million from outstanding loan balance.

Overall collection efficiency of HGC for this year is at 91.29%.

Table 7. Amortization Collection – Existing Portfolio (Amounts in Php Millions)

Particulars	No. of Accounts	Outstanding Loan Balance	Collection Target	Actual Collection	Collection Efficiency
Current Accounts and Lease Receivables (0-3 months payment arrears)					
Lease of Acquired Asset	43	N/A	190.23	187.99	98.82%
Guaranty Call Accounts	477	158.67	44.07	40.35	91.56%
BLISS Accounts	378	100.45	20.35	19.28	94.74%
Coop/ CMP	164	15.79	8.28	5.31	64.13%
Abot-Kaya/ Resettlement Projects	154	33.62	3.48	2.47	70.98%
SUB-TOTAL	1,216	308.53	266.41	255.40	95.87%
Delinquent Accounts (Paying)					
Guaranty Call Accounts	164	56.17	14.82	7.55	50.94%
BLISS Accounts	95	27.64	7.30	4.16	56.99%
Coop/ CMP	96	9.90	3.32	1.19	35.84%
Abot-Kaya/ Resettlement Projects	14	2.11	0.87	0.57	65.52%
SUB-TOTAL	369	95.82	26.31	13.47	51.20%
New Sales					
Lease of Acquired Asset	14	N/A	11.31	11.15	98.59%

Guaranty Call Accounts	44	43.00	10.76	10.81	100.46%
BLISS Accounts	8	2.53	0.43	0.18	41.86%
Coop/ CMP	7	1.83	3.54	0.53	14.97%
Abot-Kaya/ Resettlement Projects	6	2.47	2.73	1.95	71.43%
SUB-TOTAL	79	49.83	28.77	24.62	85.58%
GRAND TOTAL	1,664	454.18	321.49	293.49	91.29%

Ensuring Current Accounts Remain Current and Preventing Buyer’s Delinquency

The following strategies were applied to ensure that accounts remain current:

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 address on a regular basis. Clients are also encouraged to avail of the on-line collection facility of Land Bank of the Philippines (LBP) to facilitate payments.
2. Monthly reminders to buyers/lessees. Clients are given calls before the due date of their payments.
3. Encourage buyers to take-out their loans from financing institutions like HDMF and banks.

Bringing Delinquent Accounts to Current State

Strategies implemented to bring delinquent accounts to current status were the following:

1. Clean-up of project documents and other project deficiencies. This includes the following:
 - Negotiated/approved acceptable payment options for delinquent/undocumented accounts.
 - Judicial reconstitution of missing/unavailable TCTs.
 - Cancellation of encumbrances/annotations on TCTs/CCTs.
 - Re-subdivision and/or transfer of TCTs, CCTs and TDs in HGC’s name.

2. 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.
3. Engagement of additional collection agents. Clearance/approval is still pending with COA.
4. Endorsement of delinquent accounts to Legal and ultimately to the collection agent.

IV. Financial Performance

HGC's Net Income for 2016 is at P485.061 million, 61% higher than the Net Income of P301.686 million in 2015. This is attributed to the general enhanced performance in the guaranty business, disposition of acquired assets and collection of receivables. The HGC Management also exercised judicious and controlled spending throughout the year.

Table 8. HGC Financial Performance

Particulars	As of December 31, 2016
Operating Revenue	1,392,567,510
Operating Expenses	310,690,498
Income from Operations	1,081,877,012
Other income	17,615,463
Income before Financial Charges	1,099,492,475
Total Financial Charges	404,711,065
Net Income before Taxes	694,781,410
Taxes	209,256,754
Net Income	485,060,757

Early in 2016, HGC remitted P210.46 million as cash dividends to the National Government, from its earnings in 2015.

V. Other Initiatives

HGC Scores Five Firsts in International Standards Compliance

HGC now leads International Standards Compliance in the Philippine public sector. In August 2016, International Standards Organization (ISO) certifying body TÜV Rheinland confirmed HGC as the first key shelter agency, the first government financial institution and the first government owned and controlled corporation (GOCC) to be conferred ISO 9001:2015 certification for all its business processes. ISO 9001:2015 is the latest in the series of International Quality Management System standards.

HGC is also the first Philippine government agency to have ISO/IEC 27001:2013 certification conferred to its Information Security Management System. Compliant to ISO 9001:2015 & ISO/IEC 27001:2013, HGC scores another first in its Integrated Quality and Information Security Management System.

During the first quarter of 2015, HGC started preparations for the QMS certification under the latest ISO standards. By November 2015, HGC was on its way for ISO 9001:2015 certification, covering all business processes and for the ISO/IEC 27001:2013 certification of its Information Security Management System. By third quarter of 2016, HGC was successfully certified for both.

HGC's drive for Information Security Management certification emphasizes the premium it places on information security, risk management, improving employees' awareness of security issues and their responsibility within the organization.

Automation of HGC Processes

The automation of HGC processes is underway as part of the Corporation's Information System Strategic Plan (ISSP). HGC's ISSP was formulated to develop a customized IT solution in support of HGC's various operations.

The HGC Information Systems is being developed using n-tiered architecture consisting of five core components namely: Operation Support Information System, Decision Support Information System, Enterprise Resource Planning, HGC Portal, and Document Management and Workflow System. The development of the HGC Information Systems employs Microsoft Dynamics AX, currently the latest and flagship Enterprise Resource Planning Software from Microsoft.

The ISSP implementation is intended to improve and hasten all aspects of HGC operations from executive decision-making to client and customer service.

Completion of the project is set on yearend 2017.

Third-party Survey on the HGC Homebuyers' Experience

In December 2016, HGC contracted Contact Asia Services Inc. (CASI Research) to conduct a Customer Satisfaction Survey on HGC services in the sale of retail acquired real estate properties sold on installment and the collection of amortization payments. The survey covers the Marketing and Sales and Treasury Departments.

HGC aims to use the insights from the survey to improve the quality of its services to its homebuyer clients.

CASI was able to gather 100 respondents: 81 of which were contacted through telephone interview and 19 through face-to-face. The respondents were assured of confidentiality to encourage honest and candid answers.

The first part of the survey is quantitative in nature, profiling the respondents and determining the level of satisfaction on the services provided by the Marketing and Sales and Treasury Departments.

The respondents have acquired their property from HGC within five to more than 15 years. Thirty-four percent (34%) claimed they are never in arrears and 66% confirmed delays in their payment. The most common reason for delays in payment cited were "the budget for housing payment was allocated to other expenditures" (36%), "the delay was caused by some sort of income disruption" (33%), while nineteen percent (19%) missed payments due to convenience issues, i.e. "no time to pay" and "payment centers are difficult to reach."

CASI provided eight indicators by which respondents shall evaluate the quality of service by the Marketing and Sales Department (MSD). These are: Professionalism and Courtesy; Conduct of Bidding Process; Overall Ease of Acquiring Property; Documentary Requirements; Responsiveness of Marketing/Sales Department; Clarity of Contracts/Documents; Speed to Process Contracts; and Knowledge and Competence. MSD got a weighted average of 3.65 which means, in general, HGC clients were "Very Satisfied" of their service. Among the attributes evaluated, Professionalism and Courtesy had the highest average at 3.86, followed by Conduct of Bidding Process and Overall Ease of Acquiring property at 3.66. The lowest came in the areas of Speed to Process Contracts and Knowledge and Competence with 3.58 and 3.52, respectively.

Five indicators were fielded to determine the customer satisfaction with the Treasury Department. These are: Professionalism and Courtesy; Overall Ease of Payment; Responsiveness of Treasury Department; Knowledge and Competence; and Accuracy of Statement of Account. The overall satisfaction level was 3.86 which translates to a “Very Satisfied” rating. The highest service quality attribute was Professionalism and Courtesy with 3.91, while the lowest attribute was Accuracy of Statement of Account at 3.75.

The qualitative part of the survey aims to assess the respondents’ overall perception on the quality of service of HGC. Three questions were fielded to determine this.

On whether respondents have any suggestions to improve the experience with HGC; the highest number of grouped response was the suggestion to improve the “speed of transaction” (14), second was to set-up alternative payment sites (11), and third was to improve communication. Fifty-one (51) gave comments without details.

The second qualitative question asked was whether they have any other business needs/expectations which they believe HGC should/could provide in the future. Sixty (60) respondents gave comments without details, 15 identified “fast and efficient process of transaction and contracts”, and six (6) had a group response relating to “lower penalties and fees”.

The third and last qualitative question asked was with regard to the perchance to recommend HGC in the acquisition of property to friends or family. Ninety-two (92) of the respondents said they would recommend HGC, while eight (8) answered “NO”.

Given these results, CASI made suggestions to improve the initiatives of the MSD since it was found out in the survey that 60% of the property sales was not the result of the MSD’s efforts. It was also recommended to provide more payment options for the homebuyers, aside from the current ones which are payment through Land Bank and through the counters of the HGC Cashier’s office. Homeowner Education was also suggested given that 34% of the respondents were poorly aware on penalties or rates of interest.