Rethinking Urban Housing Policy in the Philippines[1]

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Abstract

Informal housing arrangements, substandard structures, and congestion characterize the urban housing problem in the Philippines. The record suggests that the response of the State, especially its reliance on below-market priced mortgage loans, has aggravated the situation. If the housing problem is to be solved, government needs to rethink its role in housing finance, delink housing social assistance from finance markets, and turn its attention to fundamental supply side and urban governance issues.

I. Introduction

Despite a long history of public sector housing programs, there is a significant unmet need for improved and additional housing in the Philippines. In 2007, there was a backlog of 1.3 million, of which two-thirds was 'unacceptable housing" including dilapidated or condemned housing and marginal housing, including informal settlers.[2] In 2010, informal settlers in Metro Manila, the country's economic and political center, numbered about 580,000. [3]

Supply shortfalls in affordable and quality housing are not uncommon in low-middle income countries like the Philippines. Housing conditions are a reflection of the level of economic development, i.e. higher incomes associated with economic development

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[1] This paper is an update of a November 2010 lecture entitled "Is government really solving the housing problem?" forthcoming in the Philippine Review of Economics (June 2011).

[2] Estimate of accumulated housing needs as of January 1, 2007 ("Development of a Shelter Monitoring and Information System", HUDCC).

[3] Chapter 5, 2011-2016 Philippine DevelopmentPlan, citing HUDCC figures as of July 2010 Table 8.6 indicates howeer that abot 10 percent of Metro Manila's 2.4 million households indicatThis is based on national survey data and is likely to be a low estimate as it captures households occupying land without consent but excludes households living under other informal arrangements, living in blighted areas, or without permanent addresses. In 2005, the HUDCC's Asset Reform Project Management Office estimated that Metro Manila had about 660,000 informal settler households.

permit greater spending on housing, which is reflected in better housing (World Bank 1993). However, poor housing is likely to be as much the result of housing policy – the combination of policies and regulations that determine the efficiency and responsiveness of housing supply – as income levels per se (World Bank 1993). This especially applies to urban conurbations like Metro Manila where bottlenecks in urban land markets figure greatly in explaining the relatively high costs and poor conditions of housing (Strassman and Blunt 1993; Ballesteros 2000).

Policies affecting housing supply responsiveness, therefore, often offer the greatest scope for reform (World Bank 1993). However, rather than concentrate on addressing input market rigidities, housing programs in the Philippines have focused on maximizing the output of new houses and sites for sale at below market prices via under-priced mortgages, development loans and guaranties, and other implicit and explicit government subsidies. This approach treats the symptoms of housing system failures rather than its fundamental causes and has achieved little at great fiscal and quasi-fiscal cost. In order to begin to solve the urban housing problem, there needs to be a fundamental shift in the State's approach.

I proceed as follows. Sections 2 and 3 review why and how governments typically intervene in housing markets and achievements and costs of Philippine housing policy to date. Policy challenges arising from this review are discussed in Section 4, leading to the building blocks of a fresh approach summarized in Section 5.

II. Housing and the State

A functioning housing market is one where households can translate their notional demand for quality housing into effective demand at market prices, and where the supply of housing is responsive to that demand. [4] Housing is prone to significant market failures however, especially at the bottom end of the housing market. On the supply side, investments are relatively risky due to the 'irreversible' nature of housing, inherent uncertainties, and the long gestation periods involved in production. Without a complete set of insurance markets mediating these risks, private markets tend to under-invest in new construction, maintenance, or upgrading leading to neighborhood decline, slums or segregation. The slow adjustment in the housing system makes housing markets "suppliers' markets", characterized by excess demand or excessively high market prices.

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[4] This section synthesizes insights from World Bank [1997], Hoek-Smit [2004], Stahl [1985], Arnott [1987], Whitehead [2003], and Hoek-Smit and Diamond [2003].

On the demand side, households typically require financing to make housing investments. Without proper credit and property market information however, lenders are not able to serve all segments of the housing market profitably, particularly at the lower end. Failures in the housing finance market frequently compound or are at the core of problems of delivering standard quality housing to moderate and low-income households (Hoek-Smit 2004).

Market failures provide an economic rationale for both state intervention and social provision. But redistribution goals, "merit good", [5] and "multiplier effects" arguments [6] may also motivate state action. The strongest political case for intervention and social provision in housing has been in terms of a direct and effective means of ensuring minimum housing standards and redistribution rather than efficiency (Whitehead 2003).

While the existence of market failures and inequities provide a-priori economic reasons for government intervention, they do not by themselves justify it. Since the cost of government failure can easily outweigh the cost of the original market failure, the practical case for intervention should depend on whether the market failure is large enough to matter and the chances of government to actually overcome it. Regulations, taxes and subsidies, and the direct provision of goods and services are among the policy options of the state. Of all the types of housing subsidies, housing finance subsidies, i.e. subsidies which relate to the way in which housing assets are paid, are among the most prevalent. [7]

III. Achievements and costs of housing policy to date

During the 1st quarter of the 1900s, housing policy was embodied in an effort to "clean-up" Manila which was beset by sanitation problems and overcrowding.[8] Initial interventions included slum clearing programs and new sanitation and building codes, and later the acquisition, development and resale of landed estates and housing on behalf of labor. By the 1960s and 1970s, housing was recognized as a strategic

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[5] The merit good argument is based on a political value judgment about what minimum standards of housing the population should have, reflected in the concept of 'housing need' as distinguished from 'housing supply' and 'housing demand' (Todt 1985).

[6] The impact of housing on employment, output and investments. There are also fiscal associated with the taxation and subsidization of housing and labor market effects (WB 1993)

[7] Hoek-Smit [2009]. Some examples: subsidies to research, information, and collection; below market rate housing loans and insurance products; direct government provision in financial intermediation at the primary or secondary market; regulatory controls on prices or credit allocation,

[8] This review of policies up to the 1970s relies heavily on work by Ocampo ([1976] and [1978]) and NEDA documents.

economic activity and a more elaborate housing program was articulated which included (i) *social* housing (e.g. slum clearance, rental tenement construction and resettlement projects) built and funded by government; (ii) *economic* housing, built and financed by government, and (iii) government financing of privately-owned housing. A number of public housing corporations were established to implement this program.

Waste characterized these early housing programs unfortunately. Tenement projects were beset by poor design, poor construction, poor collections and poor sanitation. Resettlement, the cheaper alternative, was also problematic: distance, the lack of urban jobs, and the lack of basic services led to high attrition rates (sometimes over 50 percent) in major resettlement sites. Economic housing had similar location and cost problems so that even at discounted mortgage rates lower-income households were not able to access the housing units.

Today, housing policy is embodied in a national shelter program that features a "total systems approach to housing finance, production and regulation" and an interacting network of implementing housing agencies, led by Housing and Urban Development Coordinating Council (HUDCC). [9] Agencies are the National Housing Authority (NHA), which produces shelter for the bottom 30 percent in the income distribution; the National Home Mortgage Finance Corporation (NHMFC), envisioned as a US-style secondary mortgage market institution; the Home Guaranty Corporation (HGC), which provides guaranties and other incentives; the Housing and Land Use Regulatory Board (HLURB), which regulates land use planning and housing development; and the Social Housing Finance Corporation (SHFC), a subsidiary of the NHMFC which undertakes social housing programs for low-income households, such as the Community Mortgage Program (CMP). Three contractual savings institutions - the Home Development Mutual Fund, also known as the Pag-IBIG Fund, the Social Security System (SSS), and the Government Service Insurance System (GSIS) – serve as support agencies tasked "to ensure that the funds required for long-term housing loans are available on a continuous and self-sustaining basis".

Over the years, the overall goal of the national shelter program has been to increase the access of target households to decent, affordable and secure shelter, where target households are typically those in the bottom 3 income deciles living in urban areas, and "secure shelter" is a house, a lot, or both. Housing is largely positioned as a poverty alleviation program in other words, although its so-called multiplier effects

[9] Executive Order 90, series of 1986. E.O. 90 reiterated the National Shelter Program first formulated in 1978.

(long held to be an incredible 16.6) have been cited to justify larger agency budgets and lower mortgage rates.

From 1987 to 2011, around 2.4 million households received housing units that were built, financed or insured with public support, representing about 49 percent of the official target and 30 percent of the estimated backlog per year (Table 1). Of the 2.4 million households, about 21 percent were assisted thru direct production; 22 percent thru urban asset reform programs; and 57 percent thru housing finance, specifically individual mortgage loans and retail guaranties (Table 2).

[Tables1 and 2 here]

Housing finance has been the dominant component of the housing program. To maximize output, government housing finance programs have typically featured under-priced housing loans and guaranty products, tenor mismatches (e.g. long-term, below-market fixed rate mortgages financed with higher-priced, short-term debt), and policies for funding and underwriting undisciplined by the market. [10] This has resulted at least three financial crises for NHMFC - in 1985, 1992 and 1996 - involving large fiscal and quasi fiscal costs - the last one involving about Php 42 billion borrowed from the Pag-IBIG, SSS and GSIS [11] - and one liquidity squeeze for HGC in 1998 from which HGC has yet to recover. [12] Subsidies, apart from being implicit, have also been highly regressive: during the time of the NHMFC and HGC crises, higher-income borrowers captured nearly 75% of interest subsidy flows, 90% of subsidies associated with arrears under the major lending programs, and 80% of cash and bond guaranties. These distributional inefficiencies have continued under the Pag-IBIG Fund which bailed out NHMFC in 1988 and 1997 and now anchors government's housing finance program. [13] Subsidies embedded in Pag-IBIG below-

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[10] WB 1997. See also Llanto and Orbeta 2001.

[11] In one estimate, subsidies amounted to about Php 25.4 billion over the period from 1993-1995 alone, of which 90% were off-budget implicit subsidies related to the mortgage lending programs (Llanto and Orbeta 2001). In another estimate, tax revenues foregone on HGC cash and bond guaranties were six and eight centavos for every peso covered, respectively, and total fiscal and quasi-fiscal costs inclusive of recapitalization of NHMFC and provisioning requirements for the pension funds amounted to P55.4 billion (WB 1997)

[12] In its 2008 Annual Audit Report on the HGC, the Commission on Audit observed that "HGC's growing losses and deficits had continuously impaired the Corporation's financial capability, casting doubt on its financial capability to carry out its mandate…" (Part II, A. Observations and Recommendations, p. 28)

[13] The Pag-IBIG fund is a mandatory housing provident fund with some 7.5 million members and has grown to be the biggest single source of home financing in the country, accounting for 45 percent of the aggregate portfolio for residential real estate loans as of the end of 2009 (Testimony of OIC Emma Faria to the Committee on Banks, Financial Institutions and Currencies, October 7, 2010). Housing

market rate mortgages (Table 3) are effectively borne by Pag-IBIG's lower-income, self-employed member-savers who do not qualify for housing loans but who receive lower returns on their mandatory contributions because of interest subsidies and default leakages (Table 4).[14] This raises the question of whether end-user financing represents the optimal way for Pag-IBIG to comply with its mandate and, more critically, whether Pag-IBIG has crowded-out rather than crowded-in private lenders. Pag-IBIG enjoys significant legal and regulatory privileges, including mandatory contributions and a general government guarantee - preferential conditions which private lenders can hardly compete with.

[Tables 3 and 4 here]

On the housing production side, output numbers of NHA are high but hide a cycle of poor pricing, weak sales and even weaker collections. [15] Production inefficiency has also been an issue: NHA completed about 12 units per employee, about one-third the rate typical to the private sector in 1994.[16] Moreover, NHA enjoys preferential tax treatment for mass housing developments as well as privileged access to land by the Urban Development and Housing Act (1992) which automatically assigns all suitable, unused public lands for socialized housing to NHA at no cost – conditions for a crowding out of private sector participation. [17] Between 2001 and 2010, three out of ten social housing units were NHA-produced or -contracted (Table 5)

[Table 5 here]

The Community Mortgage Program and Land Proclamation are considered 'urban asset reform programs' under the 2011-2016 Philippine Development Plan and are innovations in the housing portfolio. The former assists groups of informal settlers acquire the (private or public) property they are occupying through nonmarket

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provident funds are essentially long-term saving schemes that operate through mandatory contributions (Chiquier 2009). What a Pag-IBIG member finally receives after 20 years depends on both his/her total contribution and the investment performance of the Fund.

[14] Table 4 benchmarks the average returns on Pag-IBIG's investment portfolio to that of government bonds between 2003 and 2008. Non-performing mortgage loans reached 24% of mortgage loans outstanding and non-performing sales contracts receivables amounted to 13% of sales contracts outstanding in 2008, according to the annual audit report of COA. In 2005 these figures were at 30% and 18% percent respectively.

[15] NHA claimed a production output of over 450,000 social housing units between 1975 and 1998 (Transition Report 1998). However disposition rates (at resettlement sites) were at 14% and collection efficiency at below 40% in 2000.

[16] WB [1997], Annex A, paragraph 27.

[17] In the U.S., Murray [1983] shows that for every additional 100 publicly constructed units, as many as 85 private units have been crowded out.

community loans while the latter regularizes the tenure of informal settler families through the issuance of Presidential Proclamations declaring occupied parcels of public lands open for disposition to qualified beneficiaries (who have to pay for the parcels). CMP has out-performed other mortgage loan programs of government in terms of collection efficiency rates[18], outlay per household (see again Table 2), and down market penetration (Table 6) but is dependent on budgetary appropriations and cannot keep up with demand: at the end of 2008, it had 544 projects pending, amounting to Php 3.6 billion in loans for 60, 826 households. Land proclamations between 2001 and 2010 covered about 800 hectares in Metro Manila (with 81,000 occupying households) and another 6000 hectares across the rest of the country (with 142,500 households).[19] Land Proclamation as a program may now be moot however with the promulgation of Republic Act 10023, which authorizes the issuance of *free* patents to residential lands (up to 200 square meters in highly urbanized cities) for citizens who can show they have been occupying these lands for 10 years or more.[20]

[Table 6 here]

IV. Policy challenges

Two matters immediately beg a policy reevaluation. The first has to do with the large fiscal and quasi-fiscal costs attendant to the government's favored approach to housing – which is to maximize the output of new housing for sale at below-market prices – so far. The repeated episodes of insolvency or illiquidity of government housing finance corporations as well as the continuing distributional inefficiencies have demonstrated that the approach is fundamentally flawed. Non-market pricing and subsidized lending in the primary mortgage market are suspected to have generated other perverse results, such as the crowding-out rather than the crowding-in of private finance and other ancillary services.

The second arises from the first and has to do with the level of social assistance the state wishes to allocate to housing in the first place. There will always be households which cannot be reached by market forces irrespective of government incentives. But where exactly does housing social assistance rank among the other social priorities of the state (say, against the conditional cash transfer program)? This question has not

[18] Refer to Tables 12 to 14 of UN Habitat [2009].

[19] HUDCC data (October 2010). Not all of households may qualify however. After proclamation, households must pass 'capacity-to-pay' criteria.

[20] It is, in essence, a titling program designed to minimize the monetary and transaction costs involved in securing a formal title. While it is too early to tell what the impact of this law will be on land markets or housing, in 2011 alone, about 62,000 residential free patents were issued, up from an annual average of about 3000 (miscellaneous free patents, etc.) for residential land.

yet been confronted, in large part because subsidies have been implicit rather than on-budget. This is not to say that increased budgetary allocations for housing is a necessary condition for better housing outcomes or for lower human poverty incidence as some claim.[21] Nor is it to say that there is any compelling multiplier-effects argument in favor of public spending on housing relative to other sectors.[22]

These issues compel a reexamination of government's objectives for, and level of involvement in, housing finance markets as well as the design of its subsidy mechanisms. However, reforms in housing finance and subsidies at best deal with *symptoms* rather than underlying *causes* of housing system failures - in particular, rigidities in land and input markets which impede the efficiency and responsiveness of housing supply and drive the unit cost of housing up. Of course, poor housing is not solely due to relatively high supply prices; the other side of the equation is low permanent incomes. But policies and regulations that determine the efficiency and responsiveness of housing supply have as much to do with poor housing as income levels per se (WB 1993) and, based on observations since the 1960s, may very well be the source of the most important distortions in the Philippine case.

"The housing dilemma is primarily a land problem" (Roxas 1969). The land problem is one of disjoint and inconsistent land management and administration policies and processes. Land management has to do with the formulation and implementation of land use policies, including access and distribution, while land administration has to do with the accounting and inventory of land including location, value and tenurial interests.[23] Since the devolution in 1991, land use planning and the power to regulate land use have been the exclusive mandate of cities and municipalities. However, major land administration and management functions are also vested in at least seven national agencies, plus the Courts, and there is no explicit and integrated framework (e.g. cadastral survey) underpinning these functions so that efficient coordination can take place (FEF et.al. 2012). Inconsistent records and data, land use conflicts, and other regulatory problems raise the transaction costs of securing, registering and

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[21] See, for instance, Ballesteros [2009] who cites regression results from Habito [2009], i.e. for every one percent of GDP spent on housing the responsiveness of poverty reduction to GDP growth improves by 0.473 percent. However, regressions excluded outliers, i.e. Thailand and Malaysia which had relatively small shares of public expenditures on housing yet strong responsiveness of poverty reduction to GDP growth. The two outliers may in fact demonstrate that regulatory reforms matter more for housing markets than increased public spending.

[22] IO simulations indicate that a P100 million investment in Construction increases employment by only 575 (direct and induced), which would be ranked 15th among 38 industries. A P100 million investment in Real Estate & Ownership in Homes increases employment by 98, which would be ranked last (http://www.neda.gov.ph/ iosimulator).

[23] FEF et. al. (2012). See also Ballesteros [2000].

transferring property rights, hamper infrastructure investments, and push up costs of servicing land for urban development. Land values are pushed up even further by land hoarding, enabled by the absence of a national standard and method for real property valuation and the poor enforcement of real property taxes at local levels (Ballesteros 2000).

The role of connective infrastructure in making housing supply more responsive has also been overlooked. Transportation infrastructure connects different parts of a city, guides land use and urban expansion; at the national scale it allows lagging regions to participate in the growth process of leading urban centers (WB 2009). Efficient transport systems widen residential location options and, thus, the housing choices of the urban poor. Yet there has been an acute underinvestment in the improvement, expansion and management of transportation infrastructure as well as a lack of coherence in existing networks, e.g. in Metro Manila and other metropolitan centers, no new high capacity transit facilities have been added to the system since the 1990s and road construction has been limited (HUDCC 2009). This is compounded (and enabled) by the lack of planning integration among LGUs a situation which has compromised both land use compatibility across local boundaries and the efficiency of basic services like transportation and traffic management (Corpuz 2012). Underinvestment in connective infrastructure is also apparent at the national scale, where spatial integration has been hampered by a 'missing middle' (i.e. an inadequate secondary (provincial) road network) as well as by an unintegrated road and maritime transport system.[24]

Construction codes and subdivision restrictions also greatly influence supply. [25] By controlling floor-to-area ratios for instance, the State controls the consumption of land, the only factor in which poor residents can outbid non-poor residents. Subdivision restrictions and construction codes, which are motivated to ensure public health, safety and basic infrastructure services in new developments, can also jack-up capital costs (in exchange for less maintenance costs) to levels beyond affordable thresholds. In short, regulations designed to ensure minimum standards may in fact have adverse effects on market access to real estate assets by the urban poor. [26] To date, there has been no audit of existing regulations and their impact on housing cost and supply.

[24] Llanto (2007). Ironically, more attention is paid to integration with global markets (e.g. international airports) at the expense of domestic integration. As a result there are pockets of internationally-oriented economic activity weakly integrated to the rest of the country.
[25] This section draws heavily from Ortiz, A. [1999]
[26] This is not to say that planning tools are not useful but that they should be thoughtfully applied.

At the end of the day, supply side rigidities create distortions which encourage informal land markets and unauthorized urban housing. As Strassman and Blunt observed of Metro Manila in 1993: "If [land] prices were as low in comparable developing countries… as much as 50% more shelter could have been built and fewer than 28 % of households would probably live under irregular tenure arrangements."

That housing policy has tried to forge ahead without squarely dealing with land and property market institutions or connective infrastructure, speaks to the absence of an urbanization framework that explicitly underlies or informs national and sub-national development plans and investment decisions.[27] Urbanization is about the transformation of rural economies into urban ones, a process that is never spatially even or balanced but which can be inclusive. [28] An urbanization strategy is necessarily geographic in orientation therefore, best supported at the provincial or regional level, and concerned for the efficiency and inclusiveness of these processes as they take place across a portfolio of economically interdependent places (WB 2009). As it is however, the national development plan and budget - the 2011-2016 Philippine Development Plan (PDP) - is heavily sectoral in nature, reflecting the priorities of cabinet-level agencies, hardly congruent with intersectoral prioritization which is the essence of local and subnational area-based planning (HUDCC et. al. 2009). Provinces are themselves crippled by the lack of planning integration with cities/municipalities under their supervision and, perversely, have no administrative or fiscal authority over highly urbanized cities within their geographical boundaries.[29] Other problems in the institutional environment of urban development and housing are discussed in the 2009-2011 National Urban Development and Housing Framework (NUDHF), but the NUDHF itself is overlooked by the PDP. [30]

V. Steps to a fresh approach to the urban housing problem

This paper has argued that the government's usual approach to the urban housing problem, in particular the reliance on implicit housing finance subsidies, has achieved

[27] Although HUDCC is by definition an urban development coordinating council, its real authority covers the housing agencies only.

[28] Inclusive urbanization, or 'concentration without congestion', was a theme of the 2009 World Development Report. The challenge of inclusive urbanization is how to maximize agglomeration economies while reducing the squalor and other costs which accompany rising concentration.

[29] "Highly urbanized" and "independent component" cities are autonomous from the provinces within which they are geographically located. Among others, they do not share tax revenues with the province and their officials are not subject to administrative supervision by provincial officials.

[30] The NUDHF was cited in a discussion on Housing (PDP, Chapter 8, Social Development). Housing is also featured in Chapter 5 on Infrastructure Development. Urbanization dynamics, benefits and challenges are not discussed in the PDP.

little at great fiscal and quasi-fiscal cost. Such an approach deals with symptoms rather than with fundamental causes of housing market failures. What is needed is a reframing of the housing program away from simple bean-counting (of production and mortgage loan outputs) to one which seeks to remove impediments so that markets are able to deliver adequate and affordable housing for all. In short, a fundamental shift in the state's approach.

This paper has also argued that the most important distortions occur on the supply side. A shift in approach would require – as a priority – a reallocation of resources and attention to addressing rigidities in land and property markets as well as inadequacies in transportation infrastructure. Stylized facts from country experiences over the last few decades indeed indicate that spatially-targeted efforts to integrate slums into cities and improve housing of informal settlers are unlikely to succeed without prerequisite well-functioning land and property markets and transportation infrastructure (WB 2009). Recognizing these preconditions provides perspective on the housing problem, removing it from the narrow confines of the traditional 'housing sector' and embedding in the broader and deeper discussion of how to facilitate efficient and inclusive urbanization.

Adequate housing finance is another institution which anchors inclusive urbanization. Creating more competitive and efficient housing finance systems requires the reform of subsidized State housing finance institutions (Hoek-Smit 2009). A shift would necessitate a reassessment of government's objectives for, and level of involvement in, housing finance, including the role of Pag-IBIG and other government-sponsored housing finance corporations, therefore. The critical questions are: Where will normal market forces gradually expand housing finance systems to increase access and where can well-targeted government intervention help accelerate this process (Hoek-Smit 2009)? How can a provident fund like Pag-IBIG best contribute - as a pension fund and institutional investor, a housing lender, or a subsidy distributor? Can public corporations like HGC and NHMFC, with legacies of financial distress, still play a role in enabling primary and secondary mortgage markets to work better?

For households that will not be reached by markets in any case, there is a broad consensus that, to be efficient, subsidies should be on-budget and transparent rather than be off-budget and implicit. Where housing social assistance is necessary therefore, a shift would involve delinking it from market-based transactions, making it explicit and on-budget, and integrating it into overall welfare policy.

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Table 1: Estimated Backlog, Targets and Households [i] served 1987 to 2011
(In '000s)

	1987-92	*1993-98*	*1999-00*	*2001-04*	*2005-10*	*2011*	*TOTAL*
Estimated Need [ii]	3,376	3,724	3,362	3,600	3,756	1,381	
Backlog (in year 0) [iii]	1,182	2,225	1,139	2,069	1,171	na	
Target	627	1,200	478	1,200	1,146	215	4,866
HH Assisted	278	653	146	495	727	105	2,404
% Target	44.4	54.4	30.6	41.3	63.4	49.1	49.4
% Backlog	23.5	29.3	12.8	23.9	62.1	na	30.3 (ave)

Source: Author's computations. Base data:

1987-1992: MTPDP 1987-92. Backlog is as of 1988 and is computed at 35% of estimated need based on share of backlog to total need for urban areas. HH assisted based on HUDCC accomplishment matrices for 1987-92

1993-2010: HUDCC matrices for 93-98, July 1998-December 1999, July 1998 – 2000, Accomplishment Report 2001-2010 as of October 2010, Accomplishment Report July 2010 – December 2011

2011: PDP 2011-2016, Tables 8.5 and 8.10

Notes:

i. "Households" is an attempt to correct for any double counting
ii. Backlog + new HH
iii. Defined by HUDCC to include units with double occupancy (urban & rural); units for tenure, infra or structural upgrading; units for replacement due to danger area/infra area/for eviction or demolition; homeless.

Table 2: Households assisted and cost (in Millions) by key program, 1987- 2011

Key Program	*1987-2000*		*2001-2010*		*2011*		*1987-2011*	
	HH	Cost (M)	HH	Cost (M)	HH	Cost (M)	HH	Ave Cost/ HH
Production								
Resettlement	146,422	8,089	166,450	21,450	16,365	1,677	329,237	89,721
Core housing	0		7,412	118	3		7,415	15,914
Slum upgrading*	52,809	1,566	33,547	58	5,583	2	91,939	17,663
Sites and Services*	30,598	2,358	16,281	446	651	27	47,530	58,991
Special Projects	26,550	2,235		-			26,550	84,171
Land Proclamation	0		302,031	na	300		302,331	
Finance								
Community Mort	105,692	2,867	116,044	5,705	16,047	985	237,783	36,053
Primary Mort	544,197	104,624	421,045	209,019	46,296	31,532	1,011,538	310,066
Retail Guaranty	170,585	80,113	158,627	144,563	20,242	33,666	349,454	642,933
Total	1,076,853		1,221,437		105,487		2,403,777	

Source: Author's computation. Base data:

1987-1992: MTPDP 1987-92. Backlog is as of 1988 and is computed at 35% of estimated need based on share of backlog to total need for urban areas. HH assisted based on HUDCC accomplishment matrices for 1987-92

1993-2011: HUDCC matrices for 93-98, July 1998-December 1999, July 1998 – 2000, Accomplishment Report 2001-2010 as of October 2010, Accomplishment Report July 2010-December 2011

Notes:

i. NHA production of units under medium-rise buildings and completed housing is counted under the financing program that provides mortgage loans to its buyers. "Other housing assistance" (e.g. tenurial assistance, technical assistance, home improvement, etc) is excluded.

ii. Prior to 1997, mortgage financing was under NHMFC. From 1997 onwards, it was under Pag-IBIG. Other GFI end user accounts (LBP, SSS, DBP, GSIS) are not included here but they report about 26,900 units between 2001 and 2011.

Table 3. Subsidy implicit in below-market priced housing loans of the Pag-IBIG Fund

	Loan		*Subsidy*	
	Amount	Interest rate (%)	PV (i)	As a % of Principal
Pag-IBIG (ii)	300,000	6	120,596.80	43.84
		4	177,067.40	59.02
		3.5	187,645.3	62.55
	750,000	7	267,536	35.67
		5	387,295	51.64

Source: Author's computations. Notes: (i) Assumptions: market rate fixed at 11%; discount rate 10%
(ii) Pag-IBIG 30 year mortgage loans are at 6%, 7% and 10.5% for amounts 300,000 and below, 300,000 to 750,000, and 750,000 to 2 million, respectively. An additional 2 per cent discount on the applicable interest rate is given to housing loan borrowers who pay on time.

The table shows how the present value of implicit subsidies increases in absolute value terms the larger the size of the housing loan. Also, the deeper the interest rate discount, the larger the implicit subsidy as a percentage of principal.

Table 4: Estimated return on Pag-IBIG's investment portfolio and T-bill/Bond rates 2003-2008

	2003	2004	2005	2006	2007	2008	ave
Return on Investment Portfolio	6.1	6.5	6.9	7.1	6.1	5.8	6.4
T bills, all maturities	6.7	8.1	7.5	6.2	4.2	6.4	6.5
T-bonds, 3-year	9.7	12.38	10.13	9.21	7.6	5.38	9.1
5-year	10.58	11.55	10.99	8.72	6.67	7.88	9.4
7-year	11.88	11.75	11.29	8.67	7.63	8.36	9.9
10-year	11.81	12.38	11.69	8.06	8.58	7.72	10.0
20-year	12.23	13	12.13	9.69	8.63	9.5	10.9
Note: % members availing of housing loans			10	9	10	10	

Source: Author's computation based on 2003-2008 Audited Financial Statements. Investment portfolio includes loans and receivables, fixed income securities, equities, cash and cash equivalents. Foreclosed assets and items under litigation are not included under investments.

Table 5. NHA share in social housing production

	NHA(i)	*LTS(ii)*	*Total*	*% Share NHA*
1993-1998	92,471	413,891	506,362	18.3
1999-2000	55,320	55,511	110,831	49.9
2001-2010	190,143	418,009	595,513	29.8

Source: Author's computation based on NHA accomplishments in Table 2 and HLURB data on LTS.

Notes: (i) NHA: resettlement, core housing, sites and services, special projects

(ii) LTS: License to Sell issued by HLURB for social housing, including 20% balanced housing compliance

Table 6. Reach of CMP program and Pag-IBIG loans*: based on HH income

	Philippines				*NCR*			
VI. Decile	Annual Income	Loan amortization as a % of monthly income			Annual Income	Loan amortization as a % of monthly income		
		CMP ** 39,000	CMP 80,000	Pag-IBIG 300,000		CMP 39,000	CMP 80,000	Pag-IBIG 300,000
1st (poorest)	28,175	10.70	21.9	76.6	47,302	6.4	13.1	45.6
2nd	43,473	6.94	14.2	49.6	69,592	4.3	8.9	31.0
3rd	54,560	5.53	11.3	39.5	83,435	3.6	7.4	25.9
4th	66,109	4.56	9.3	32.6	99,601	3.0	6.2	21.7
5th	79,433	3.80	7.8	27.2	118,303	2.5	5.2	18.2
6th	94,673	3.19	6.5	22.8	142,184	2.1	4.3	15.2
7th	116,495	2.59	5.3	18.5	172,793	1.7	3.6	12.5
8th	150,094	2.01	4.1	14.4	215,028	1.4	2.9	10.0
9th	210,620	1.43	2.9	10.2	293,546	1.0	2.1	7.4
10th (richest)	435,092	0.69	1.4	5.0	583,178	0.5	1.1	3.7

Source: Author's computations. Base data: FIES 2006

* Loan terms: 6% percent for 25 (CMP) and 30 (Pag-IBIG) years.

** Average size of CMP loan: 39,000

Table 6 shows that based on household income criteria alone, and assuming poor households can allocate up 15 to 20 percent of their monthly income to loan amortizations, average CMP loans are likely to reach the bottom 30 percent. Pag-IBIG loans however are not likely to. Further, Pag-IBIG requires that borrowers are wage and salary earners while CMP just requires that a borrower is employed. Wage & salaried employees comprise at best one-third of households in middle- and lower-income deciles.