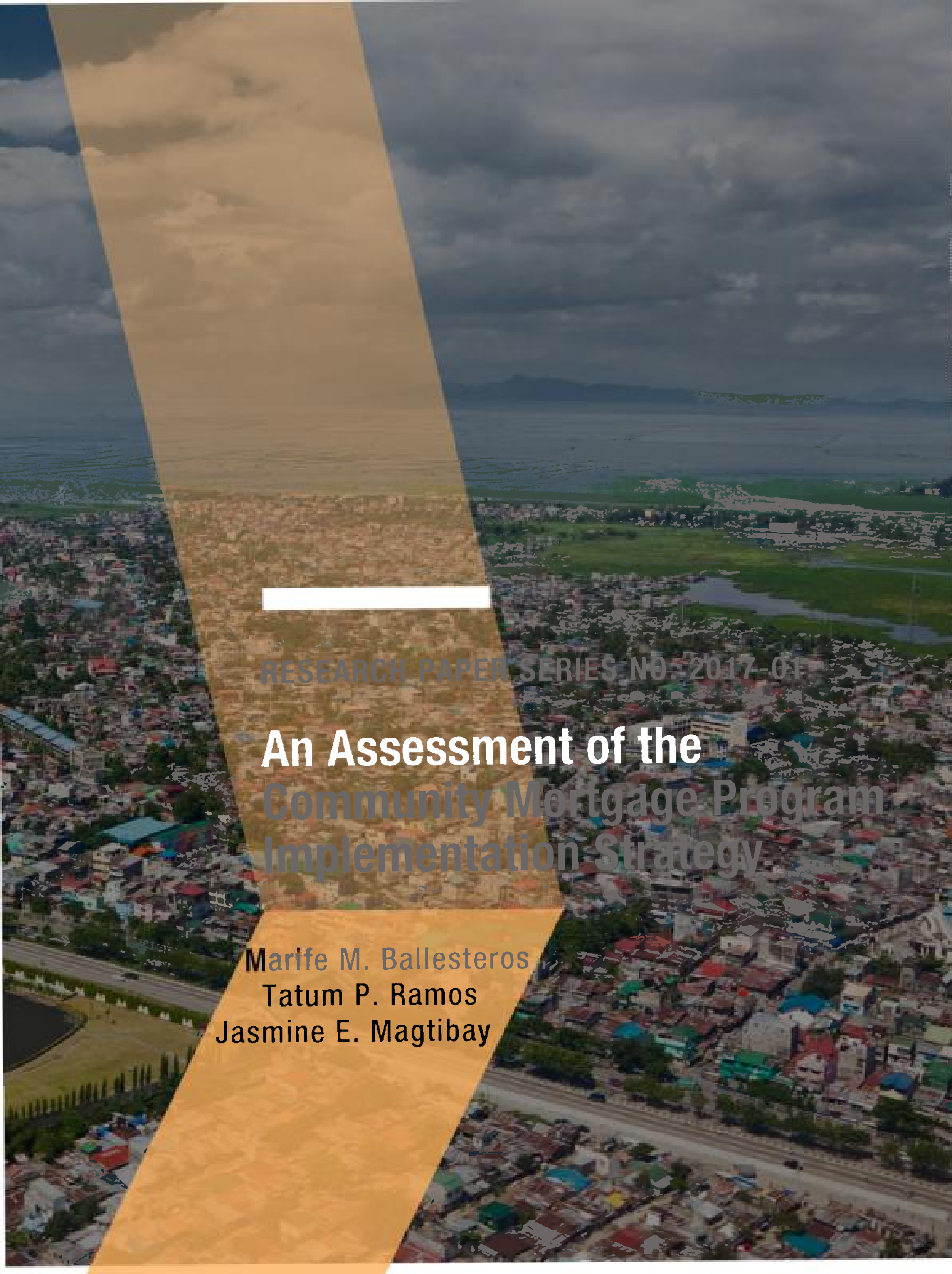

RESEARCH PAPER SERIES NO. 2017-01

An Assessment of the Community Mortgage Program Implementation Strategy

Marife M. Ballesteros
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Jasmine E. Magtibay

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1977–2017
From policy research to nation building

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Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Published by
Philippine Institute for Development Studies

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ISSN 1908-3297
ISSN 2508-0830 (electronic)
RP 05-17-600

Editorial and production team:
Sheila V. Siar, Rejinel G. Valencia, Mark Vincent P. Aranas, and Jane C. Alcantara
Cover photo:
Benson Kua (https://www.flickr.com/photos/bensonkua/4167903391/)

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List of Acronyms

AMVACA	–	*Alyansa ng mga Mamamayan ng Valenzuela* Housing Cooperative
BIR	–	Bureau of Internal Revenue
CA	–	community association
CAR	–	Cordillera Administrative Region
CER	–	collection efficiency rate
CMP	–	Community Mortgage Program
CreCom	–	Credit Committee
CSO	–	civil society organization
DENR	–	Department of Environment and Natural Resources
DILG	–	Department of the Interior and Local Government
ExeCom	–	Executive Committee
FAPI	–	fire and allied perils insurance
FCD	–	Finance and Controllership Department
FGD	–	focus group discussion
FIES	–	Family Income and Expenditure Survey
HDH	–	High-Density Housing
HDHP	–	High-Density Housing Program
HDMF	–	Home Development Mutual Fund
HLURB	–	Housing and Land Use Regulatory Board
HOA	–	homeowners' association
HUDCC	–	Housing and Urban Development Coordinating Council
ISF	–	informal settler family
LCMP	–	Localized Community Mortgage Program
LGU	–	local government unit
MB	–	member-beneficiary
MOA	–	Memorandum of Agreement
MRI	–	mortgage redemption insurance
NCR	–	National Capital Region
NGO	–	nongovernmental organization
NHMFC	–	National Home Mortgage Finance Corporation
PAEMD	–	Project Accreditation Evaluation and Monitoring Department

PD	–	Presidential Decree
RA	–	Republic Act
RD	–	Registry of Deeds
SHFC	–	Social Housing Finance Corporation
TCT	–	Transfer Certificate of Title
TSD	–	Technical Services Department

Abstract

The Community Mortgage Program (CMP) is a financing scheme that enables organized residents of slums to borrow funds for land purchase and housing development. It is already considered to be the most innovative and responsive government housing program in the Philippines. Nevertheless, the CMP still has weaknesses that have not been given much attention during the years of its implementation. These issues pertain to program targeting, service delivery, and organization. This study aims to review the current processes and overall performance of the CMP, including its variants—the localized CMP and the High-Density Housing Program. The study also provides recommendations on how the identified issues can be addressed.

Introduction

The Community Mortgage Program (CMP) is a financing scheme that enables informal settler associations to borrow funds for land purchase and housing development. Established in 1988, this program was initially administered by the National Home Mortgage Finance Corporation (NHMFC), but is now managed by the Social Housing Finance Corporation (SHFC), a wholly owned subsidiary of the NHMFC.[1] Nevertheless, the CMP still performs the same mandate: It grants long-term mortgage loans to organized informal settler families (ISFs).

The CMP is considered to be the most innovative and responsive government housing program in the Philippines. It is the most-availed program by ISFs and the most receptive to the housing needs of the low-income group in the country (Porio et al. 2004; UN-HABITAT 2009, 2011). The CMP also shows higher collection efficiency rates (CERs) compared to other government programs that extend loans for socialized housing.

These positive reviews on the program notwithstanding, CMP's reach has remained limited. The program has not scaled up over the years and is currently at a standstill at the level of land acquisition. The expected benefits from land ownership, such as increase in housing investment, increase in municipal revenues, and growth of a dynamic land and housing market, have remained ambiguous. Some CMP communities have not improved their site services and have remained blighted.

In recent years, the SHFC has introduced improvements to the program. One improvement is the Localized Community Mortgage Program (LCMP), a modified version of the CMP that intends to increase the resources available for shelter by requiring the active participation of local government units (LGUs) in the CMP through fund contribution and management of housing projects in the locality. Under this arrangement, the allocation of CMP funds can be programmed to ISF projects of participating LGUs. However, despite this funding incentive, only a few LGUs participated in this program.

Another current innovation is the High-Density Housing Program (HDHP), which offers higher-density housing to address the high cost of land in cities and provide a comprehensive development of sites and services. The regular CMP has been applied primarily to horizontal

[1] In 2004, President Gloria Macapagal-Arroyo signed Executive Order 272, which created the SHFC, a wholly owned subsidiary of the NHMFC. When the SHFC became fully operational in 2006, the role of managing the CMP was transferred to the agency (SHFC 2013).

development, whereby individual households initially acquire lots for housing and incrementally access financing for site development and housing improvement. Under the HDHP, the community may or may not acquire the lot; individualized ownership is in the form of condominium rights instead of lot titles. Ultimately, the HDHP provides an opportunity to test a CMP scheme for high-density developments.

This study provides an updated assessment of the CMP. Unlike earlier studies, this paper examines the effects of the program's processes and procedures on the outputs and, consequently, the outcomes of the CMP. The analysis includes a review of the "improved" loan products recently introduced, such as the LCMP and the HDHP.

Section 2 of this paper reviews the rationale of CMP in an environment of rising informal settlement and provides the methodology for the analysis. Section 3 describes the CMP strategy and loan processes. Section 4 presents the LCMP and the HDHP strategy, focusing on the added features to the CMP processes. Section 5 assesses the CMP performance using key efficiency indicators. Section 6 concludes the discussion and provides recommendations.

Conceptual Framework and Methodology

Rationale of CMP

Informal settlements have been pervasive in the Philippines, specifically in cities where the lack of affordable housing—whether rental or for purchase—has caused informal forms of housing settlements to proliferate. Between 1991 and 2012, the magnitude of ISFs in the country has been rising at 7.2 percent annually based on *Family Income and Expenditure Survey* (FIES) estimates (Table 1). Growth rate is highest in the National Capital Region (NCR), Zamboanga Peninsula, CALABARZON, and Central Visayas, which are also the fast-growing highly urbanized areas or regions. The Cordillera Administrative Region (CAR) exhibits growth of around 41 percent annually in the same period. While the proportion of ISFs in CAR represents only 0.1 percent of the total, its growth is alarming.

It is also important to note that the FIES captures only one kind of informal settlers, which are the "illegal occupants" (mainly defined as those who occupy a property without consent of owners). It does

Table 1. Growth and distribution of ISFs, 1991–2012

Region	Number of ISFs in 1991	ISF Distribution by Region in 1991 (%)	Number of ISFs in 2012	ISF Distribution by Region in 2012 (%)	Annual Percentage Growth Rate, 1991–2012 (%)
National Capital Region	65,865	23.4	286,366	40.5	15.9
Cordillera Administrative Region	81	0.0	776	0.1	40.8
Ilocos	6,534	2.3	8,813	1.2	1.7
Cagayan Valley	10,234	3.6	8,492	1.2	-0.8
Central Luzon	20,129	7.2	27,184	3.8	1.7
CALABARZON	21,514	7.7	77,049	10.9	12.3
MIMAROPA	4,444	1.6	7,778	1.1	3.6
Bicol	17,612	6.3	26,956	3.8	2.5
Western Visayas	45,750	16.3	43,217	6.1	-0.3
Central Visayas	12,057	4.3	66,546	9.4	21.5
Eastern Visayas	17,892	6.4	40,512	5.7	6.0
Zamboanga Peninsula	4,936	1.8	27,513	3.9	21.8
Northern Mindanao	10,101	3.6	10,946	1.5	0.4
Davao	16,383	5.8	12,691	1.8	-1.1
SOCCSKSARGEN	8,261	2.9	28,739	4.1	11.8
Caraga	14,262	5.1	20,634	2.9	2.1
Autonomous Region in Muslim Mindanao	4,948	1.8	13,046	1.8	7.8
Philippines	281,000	100.0	707,258	100.0	7.2

Notes:
(1) ISFs have the tenure status of "rent free without consent of owner", which in the FIES is the sum of those with tenure status of "own house, rent-free lot without consent of owner" and "rent-free house and lot without consent of owner".
(2) 1985–2009 values are estimates of PIDS-ESD team.
(3) 2012 values are estimates of the research team.
Source: Basic data from the *Family Income and Expenditure Survey* (FIES), National Statistics Office

not include the homeless nor families that settle in danger areas (e.g., under the bridge, waterways, road easements), in dilapidated/abandoned buildings or marginal housing units, and in public lands that are being rented out by nonowners.[2] This means that the scale and depth of informal settlements could be larger than what is officially reported.

The traditional financial system is designed primarily for wage earners in the formal labor market and for individual borrowers. It is inaccessible to the informal settlers who are not members of the Government Service Insurance System, Social Security System, and PAG-IBIG. Moreover, community mortgage is not included as a housing loan product of traditional lenders, including government-controlled financial institutions. Thus, the CMP is one of the government's response to the ISF problem. The program provides a mechanism to unlock land for the ISFs by way of a housing fund specifically for workers in the informal economy.

The legal basis for the CMP is found in Section 31, Article VIII of Republic Act (RA) 7279, which states that the primary objective of the CMP is to "assist residents of blighted or depressed areas to own the lots they occupy, or where they choose to relocate to, and eventually improve their neighborhood and homes to the extent of their affordability."[3] In other words, the program gives priority to residents of blighted areas to acquire ownership of the occupied land and legitimize their settlement. Section 31 also articulates the expectation that the CMP will pave the way for the improvement of homes and the community itself.

The program leans on the theory behind property rights. Secured property rights carry with it a mechanism wherein people are motivated to utilize their resources productively. It increases investment incentives (Briones 2004). Owning and improving land rights lead to some protection from eviction, access to loans by gaining collateral, and the ability to transfer the land. Consequently, there would be an increase in investment. Field (2005) examined the feasibility of the theory in the urban squatter neighborhoods of Peru. Her study reveals that, in its sample, tenure security has had a positive correlation with residential investment.

However, several conditions may not lead to the expected results from a formalization of property rights. In 2002, Brasselle et al. (as cited in Conning and Deb 2007) noted that property rights reforms could have formalized the informal property rights arrangements, but they may also

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[2] The FIES, by design, is a household-based survey. It does not cover homeless families. Marginal housing units are those units classified as other housing units that are usually makeshift and cannot be identified, described, and classified by the enumerators.

[3] "Blighted and depressed areas" are also known as slums.

have imposed limitations on transferability such as restrictions on sale of property. It is also possible that the reforms may not have dealt with other property rights issues, such as communal property rights, zoning constraints (feasibility of the land for housing settlement), and land access rights (availability of roads for property access).

For instance, community or communal land ownership is subject to problems of asymmetric information. It can lead to the "free-ride" problem whereby some community members shirk on their responsibilities and depend on the efforts of others (Olson 1965). This problem is seen to increase as group size increases and can result in community factions. Such can be reduced by some special schemes such as coercion, exclusion, incentives, etc., but the success of such schemes would depend on strong community leadership and organizations. Similarly, community loans can lead to moral hazard problems whereby the "risky" individuals (i.e., those who are protected from future costs and hence would engage in activities that may put other stakeholders in an undesirable situation such as having to shoulder the costs) are not fully disclosed.

Land use and zoning can also constrain investments because lands occupied by informal settlers can be hazardous and unsuitable for settlement. These limitations on property reforms affect the valuation of properties and attractiveness of the program for investment.

Conning and Deb (2007) also stated that *de jure* rights may be quite strong and may provide a sense of security even in the absence of formal titles or ownership. Durand-Lasserve et al. (2007) mentioned that in Peru, amnesty laws in favor of informal settlements increased the likelihood that squatters would invest in their houses and build relationships with companies providing housing services (e.g., electricity connections). The study noted that the ISFs felt secure enough to invest in their homes even without owning the titles to the land they occupied.

In the Philippines, "rights by occupancy" is recognized. For instance, RA 7279 discourages eviction or demolition, and requires that in cases where such activities may be undertaken, relocation or settlement areas should be provided.[4] Moreover, earlier laws such as Presidential Decree

[4] Eviction and demolition are allowed only under the following: (1) when persons or entities occupy danger areas such as *esteros*, railroad tracks, garbage dumps, riverbanks, shorelines, waterways, and other public places such as sidewalks, roads, parks, and playgrounds; (2) when government infrastructure projects with available funding are about to be implemented; or (3) when there is a court order for eviction and demolition.

(PD) 1517 (1978), PD 1810 (1978), and PD 2016 (1986) identified urban land reform zones or area for priority development and, consequently, regulated land pricing, provided for tax exemption, and prohibited eviction of sitting occupants.[5] Although these laws were considered part of the Martial Law period, they have not yet been repealed. These laws are, in fact, strengthened by RA 7279 (or the Urban Development Housing Act), which identified areas for priority development as socialized housing sites and required LGUs to identify these sites in their comprehensive land use plans. For informal settlements with established land occupancy rights, land acquisition becomes confiscatory in nature. Thus, households may perceive these lands they occupy as their own, and that formalizing their ownership is part of government's social equity program. All of the above property rights issues are likely to impact on the outcomes of the program.

Methodology

The evaluation mainly relies on secondary data from SHFC's monitoring system, interviews with stakeholders, and the case study on selected CMP projects. Key informant interviews were conducted with SHFC officials, along with implementing partners such as LGUs. A focus group discussion (FGD) was also conducted among top CMP nongovernmental organization (NGO) mobilizers that have a large number of taken-out projects. The case study was undertaken to establish the "soft" outcomes of the projects, such as (1) quality of community leadership and organization, (2) physical developments within the community, and (3) quality of housing construction and community services.

For the selection of sites, the CMP areas were ranked according to the number of projects. The top two were then selected: NCR with 1,173 projects and Rizal (Antipolo City) with 120 projects. From the NCR, three cities were selected: Quezon City, Marikina City, and Parañaque City. Parañaque City is the lone city in the NCR whose LGU does not participate as a CMP mobilizer. Quezon City holds the largest number of ISFs. Marikina City has the highest number of community associations (CAs) with good collection performances or CERs.

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[5] Areas for priority development are urban land reform areas earmarked for socialized housing use. These areas are to be prioritized for acquisition, zonal improvement, or slum upgrading; eviction of occupant families are prohibited. The legal bases for these areas for priority development are PD 1517, PD 1810 (1978), PD 2016 (1986), and RA 7279 or the Urban Development Housing Act.

From the selected sites, one good-performing CA and one low-performing CA were selected from the four cities of Antipolo, Quezon, Marikina, and Parañaque using the following criteria:[6]

Loan take-out date. The loan take-out date of the CA is from the year 2000 to 2006. This ensures that the CA has already existed for at least eight years, such that most of the socioeconomic impacts should already be felt by the members of the association.

Number of ISFs. The CAs were selected from homeowners' associations (HOAs) with at least 100 but not exceeding 300 members. The average CA size of the selected CMP projects is 200.

Collection efficiency rate. The CAs were ranked according to their CER performances from January to December 2014. High-performing CAs with CER of at least 85 percent were selected from each area. Likewise, low-performing CAs with CER below 60 percent were also selected from each area, except in Marikina City where there were no CAs (taken out between 2000 and 2006) with CERs below 85 percent.[7]

FGDs were conducted among the CA members of selected sites. At least 10 nonofficer member-beneficiaries were pooled from each of the visited sites. Beneficiaries were asked questions on how they received the program and how they perceived the project outcomes.

Site visits and FGDs were also conducted in projects of the LCMP and the HDHP. Additionally, data were gathered from key officials directly involved in these relatively new programs. For the LCMP projects, the SHFC LCMP Unit recommended a visit to Silay City, an accredited LCMP partner-LGU since 2011. The team then selected the project with the highest and lowest CERs. These are Fisherman's Village Zone II and St. Francis of Assisi I Homeowners' Association, respectively.

For the HDHP projects, the team selected two ongoing projects that have been funded based on the community's action plan or People's Plan. These projects are *Alyansa ng mga Mamamayan ng Valenzuela* Housing Cooperative (AMVACA) and Ernestville HOA, Inc. in Quezon City.[8]

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[6] See Annex 1 for sites and CA selected and Annex 2 for details on all sites visited, including LCMP and HDHP sites.

[7] CER of 85 percent is estimated as the level of recovery needed for SHFC to sustain its operations.

[8] The HDHP sites under the People's Plan are still under construction during the study period.

CMP Service Delivery, Organization, and Loan Process

CMP loan package and phases

The CMP fund is accessed through the community—i.e., the ISFs that plan to avail of a loan would have to form a CA, which is also known as HOA. The HOA serves as the legal entity that will undertake the agreements of the community with the landowner, the SHFC, and other stakeholders.[9] The title to the land is in the name of the association; a mortgage agreement is made between the HOA (represented by its officers) and the SHFC. Individualization of the title and unitization of the loan mortgages are undertaken at a later stage.

Access to the CMP fund is also designed to support each stage of housing development, starting with the purchase of land and followed by site development and housing improvement. In other words, financing is implemented in phases. The CMP sets a ceiling on the loan amount per borrower or per family by phase (Table 2). For loan acquisition, the maximum loan amount is PHP 100,000. This amount may not fully cover the total cost of land in urban areas, specifically highly urbanized cities such as Metro Manila. In such cases, the community provides the funds for the equity—i.e., the portion not covered by the loan. It is also important to note that the loan amount approved may be lower than the maximum loan amount due to SHFC's lower appraisal value on the land. The rule is that the approved loanable amount for the CA is the lowest among the appraised value, the selling price, and the maximum loanable amount. If this amount is lower than the selling price, the CA would need to provide the equity before the loan can be processed.

How does the community raise this equity? The community requires member-households to save. Households have different ways of raising this equity (e.g., by earning or borrowing from friends or relatives). The community may augment the savings through community projects or donations by wealthier households, although these schemes are rarely done. The SHFC does not monitor how such equity is raised. The agency is also not involved in negotiations on land prices between the community and landowners. It only ensures that the required equity has been paid by the community to the landowner.

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9 HOAs are registered with the Housing and Land Use Regulatory Board, the agency tasked to regulate HOAs. The maximum number of households per HOA is 200. The CMP adopted this ceiling in 2000.

Table 2. Loan ceiling and maximum amortization by phase (PHP)*

Purpose	Maximum Loan Amount	Monthly Amortization
Lot acquisition	100,000	685.30
Site development	30,000	205.59
Housing materials	120,000	834.60
Loan package	250,000	1,725.49

*This is the CMP loan package updated in August 2014. Maximum loan amounts available to CAs in highly urbanized cities used to be higher than those in other areas. This distinction has recently been scrapped by the SHFC. Furthermore, the amounts have increased over the years.
Source: SHFC (n.d.)

The downside of this arrangement is that poor households can be excluded from the program because they are unable to raise the equity or they may be forced to borrow, resulting in accumulated debts that are beyond their capacity to pay. The level of equity varies across projects. For this study, prices for lots acquired in Metro Manila were used to illustrate the equity implications. Using a sample of taken-out projects in Metro Manila, the equity per project was estimated based on the difference between the selling prices set by landowners and the approved loanable amounts for the purchased lots.[10] This difference was divided by the number of households per CA to estimate the equity per household. Table 3 shows that about 14 percent of CAs paid no additional equity, which either means that the loanable amount and the selling price are similar, or that the approved loanable amount is higher than the selling price. The latter implication raises concerns of possible abuse in the utilization of program funds. On the other hand, around one-third of the CAs have to pay equity per household of PHP 20,000 or more due to the higher cost of land compared to the approved loanable amount.

The CMP loan bears a 6-percent interest per annum payable over a maximum period of 25 years in equal monthly amortizations. Amortization starts within 30 days after the take-out. The prevailing interest rate in the market is low; nevertheless, the 6-percent rate can still be considered a subsidized rate since the cost of program administration has not been considered. This rate has also been fixed for 30 years and has

[10] The estimates were based on CMP projects in the NCR with complete values. Of the 949 CMP projects in Metro Manila with price data, only 239 projects had complete information on the selling price, land area, and loanable amount after combining the land price dataset with the CA's accomplishment report.

Table 3. Equity to be paid by each member-beneficiary in NCR

Equity to Be Paid by Each Member	Number of CAs	Percentage to Total
0	33	13.8
More than 0 to less than 5,000	49	20.5
5,000 to less than 10,000	31	13.0
10,000 to less than 15,000	32	13.4
15,000 to less than 20,000	18	7.5
20,000 to less than 25,000	27	11.3
25,000 to less than 30,000	8	3.3
30,000 to less than 100,000	35	14.6
100,000 and more	6	2.5
Total	239	100.0

Notes:
(1) Equity = selling price - total loan amount for land acquisition
(2) Adjusted selling prices within the date of coverage of TSD databank have been taken into account.
(3) Only added items that both have a selling price and a size of CMP area indicated in the TSD databank
(4) Removed items with selling prices that differ in the two or all of the following documents: Project Basic Information Sheet, Intent to Sell, Memorandum of Agreement
(5) For items with different selling prices for lots along the road and those in the interior, those with higher amounts are the ones subtracted from the total loan amount (land acquisition).
Source: Authors' estimates. Basic data from the SHFC database (selling price and size of CMP area from the Technical Services Department [TSD] databank dated as of April 6, 2015; total loan amount for land acquisition and number of member-beneficiaries from SHFC Planning Department database).

not changed since 1989, when market interest rates were at 12 percent to 21 percent.

Funding for site development covers community infrastructure services. Examples are the paving of footpaths and the installation of piped water. House improvements, such as the addition of a story, improvement of structures, and expansion of space, comprise the third phase of financing. Operationally, financing for Phases 2 and 3 is availed of after lot acquisition. The CAs must be able to offer a collateral first (which is the lot) before the SHFC agrees to release other loans. However, a family can apply for a loan at one time for the three stages subject to the total loan limit of PHP 250,000. The provision of a complete package—i.e., lot + site development + housing—is dependent on its affordability to the CA's member-beneficiaries. The nonpoor are not disqualified from accessing the fund as long as they are residents of the informal settlements community or are legitimate members of the HOA.[11]

Targeting of CMP beneficiaries

The SHFC sets a target number of CMP beneficiaries to assist every year. This number is based on the urban poor population, which is expected to increase annually. The SHFC, however, does not actively target specific informal settlements nor identify CAs. In other words, the CMP is demand driven. Any CA member or officer can approach the CMP mobilizer, or a CMP mobilizer can introduce the program to the CA.

Mobilizers play a key role in targeting CMP communities. The SHFC depends on the list of projects committed by the mobilizers for CMP financing. Since 2012, these mobilizers have been submitting this list for budget preparation.

Mobilizers usually commit only those CAs that are ready to take on a community loan. Community readiness is defined in terms of the CAs' cohesiveness and ability to raise equity, existing purchase agreement with the landowner, and the absence of multiple claims on the property. Community readiness can also be tied to member-households' financial capacity. Thus, CAs that have priority access to the program are not necessarily the poorest communities (or communities consisting mostly of poor households).

The targeting mechanism and the limited role of SHFC in targeting communities stand the risk of excluding the poor or, conversely, including the nonpoor/nonresident households in informal settlements as beneficiaries of the program. The CMP allows the community to apply for the purchase of the land currently occupied (on-site projects) or to purchase land in another location (off-site projects).

For on-site projects, SHFC requires that the community must have occupancy of at least 85 percent, and that at least 85 percent of those occupants must have been residing on the site for at least five years.

For off-site projects, SHFC imposes a homogeneity requirement wherein at least 30 percent of the members must be informal or low-income inhabitants of the same city, and the group has been formally

[11] Only "double-awardees" or families that are beneficiaries of other housing programs are disqualified. The SHFC maintains its own alpha list of beneficiaries and takes into consideration the alpha lists of other housing agencies administered by Housing and Urban Development Coordinating Council (HUDCC) for possible double awards with other housing programs.

organized a year before by members that have common characteristics. The homogeneity of the CAs must be concretized in an LGU certificate, which shall be submitted to the SHFC.

The homogeneity and residency requirements are intended to safeguard the program from communities that may spontaneously organize to access the loan fund. But since the program also provides that 15 percent of CA members in on-site projects and 70 percent in off-site projects can be nonresident households, there is a high probability of inclusion of households, specifically in off-site projects, that are not the target CMP beneficiaries.[12]

The mobilizers of the CMP

The CMP operates through mobilizers that act as the intermediary between the CAs and the SHFC. As of March 2015, there are 75 CMP mobilizers. The different types of CMP mobilizers are LGUs; NGOs; and national government agencies, bureaus, and corporations. So far, among government agencies, only the National Housing Authority is active in mobilizing CAs for the CMP.[13]

Table 4 shows the distribution of taken-out projects by mobilizer type. It shows that the NGOs have the highest percentage of taken-out projects at 54 percent; LGUs come second at 33 percent; while government corporations have the smallest percentage at 14 percent. However, government corporations have been most active in the individualization of titles, with 41 percent of its projects subdivided to each household beneficiary.

The SHFC requires that the mobilizers (1) be registered with the appropriate government agencies; (2) have two years of experience in community development and organizing work; (3) possess sufficient financial and physical resources; (4) have a clear organizational structure; and (5) have most of its officers and staff undergone a CMP training course with SHFC or with its accredited institutions. In the case of LGUs and other government organizations, however, automatic accreditation may be applied as long as they have a department or unit to handle the

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[12] Recent CMP monitoring reports do not categorized accomplishments by type of site. Past records show that between 1994 and 2007, there were about 117 CAs with off-site projects or 10 percent of total CMP projects.

[13] The Housing Guarantee Corporation was also one of the CMP mobilizers but has discontinued doing so in 2002.

Table 4. Performance of CMP projects by type of mobilizer

Type of Mobilizer	Loan Amount (PHP)	Total Number of Projects	Distribution of Projects per Mobilizer (%)	Distribution of Loan Amount per Mobilizer (%)	Distribution of Projects with Individual TCT (%)	Distribution of Items in Litigation/ Foreclosure Accounts (%)
Government corporation	1,766,400,322.10	284	13.6	15.5	41.2	12.3
Local government units	3,215,759,941.39	680	32.6	28.2	23.7	3.4
Nongovernment organizations	6,440,133,182.53	1,121	53.8	56.4	22.7	7.5
Total	11,422,293,446.02	2,085	100.0	100.0	25.5	6.8

Notes on the SHFC Planning Department database covering taken-out projects from January 1989 to December 2014:
(1) Database covers 2,403 taken-out projects.
(2) Removed bridge financing items; removed items whose mobilizers are not indicated in the database.
Notes on the data from the SHFC FCD: CER (per Corporate Circular CMP No. 003) per originator as of January 31, 2015:
(1) The document covers only 2,085 projects; not comparable with the other database.
(2) Distribution of projects per mobilizer = Number of projects per mobilizer / Total number of projects of all mobilizers.
(3) Distribution of projects with individual Transfer Certificate of Title (TCT) = Number of projects with individual TCT per mobilizer / Total number of projects per mobilizer.
(4) Distribution of items in litigation/foreclosure accounts = Number of items in litigation or foreclosure accounts per mobilizer/ Total number of projects per mobilizer.
The CER report used is as of January 31, 2015; the SHFC FCD indicated in the document that it is subject to adjustment, if there is any, due to unrecorded/ unreconciled payments.
It was further noted in the report that payments made through check will be posted to the loan ledgers only after three days clearing period, and that the Roxas City Urban Poor Federation, Inc. requested the exclusion of Lagubang HOA, Inc. in the computation of the CER.

Sources: Authors' summary based on:
(1) Loan amount data from the SHFC Planning Department database covering taken-out projects from January 1989 to December 2014; and
(2) All other data from the SHFC Finance and Controllership Department (FCD): CER (per Corporate Circular CMP No. 003) per originator as of January 31, 2015.

projects and that majority of the staff had undergone a training course (SHFC Corporate Circular No. 12-021, Series of 2012).

The LGU mobilizers operate only within their administrative area. On the other hand, NGOs' CMP mobilizers operate within the regions where the NGO offices are located. For instance, NCR-based NGOs can operate within the NCR and nearby provinces such as CALABARZON and Central Luzon. They have to establish satellite offices should they wish to undertake CMP projects in the Visayas or Mindanao.

The SHFC regularly updates its list of active CMP mobilizers and their corresponding CERs.[14] This list is provided to CAs that directly go to the agency to enroll in the program. On the other hand, some CAs have chosen their accredited mobilizers through referrals. There are also cases where CAs refer other associations within the same barangay alliance to mobilizers. The CMP process starts when a relationship between a CA and a mobilizer is fostered. This relationship is formalized upon the issuance of a letter of intent to sell by the landowner and an offer to buy by the CA. The mobilizer should not be perceived or act as the broker of the landowner.

Mobilizers have the duty to help the communities on the CMP process. One of their roles early in the application process is to create a profile of each CA and its members, as well as of the site of the project being applied for. They must also provide information to the CAs on how the CMP works to prepare the latter's members for the next application steps and requirements. Some mobilizers go the extra mile by providing trainings to CA members on how to read titles and subdivision plans.

The duration of activities meant to prepare the CAs for the program depends on the mobilizer. For instance, the social preparation activities of Makawili Jay C. Foundation, Inc. take two months, while that of the Foundation for the Development of the Urban Poor last for three to six months. For LGUs, the social preparation is focused on providing information on the CMP process and requirements. Often, LGUs rely on CA officers to build up the communities and prepare them for the CMP.

Mobilizers are paid a service fee by the SHFC for each project that has been taken out. The service fee for an on-site project is 2 percent of the loan amount or PHP 1,000 per member-beneficiary (MB), whichever

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[14] Update of the list depends on when reports on CERs of CMP mobilizers are released. The list enumerates all the active mobilizers, regardless of their respective CERs. It excludes mobilizers that have not been submitting or delivering projects for at least three years.

is higher. For an off-site project, the service fee is 2 percent of the loan amount or PHP 1,500 per MB, whichever is higher.[15] Furthermore, mobilizers also get an additional one-time post take-out service fee of PHP 200 per MB as determined every year within a required holding period of five years, provided that the CER of the CA has not been less than 85 percent (SHFC Corporate Circular No. 12-021, Series of 2012).

The post take-out service fee serves to incentivize the mobilizer to provide community development services two to five years after the loan take-out. In practice, their activities after the take-out are limited to meetings with CA officers only. The LGU mobilizers, for instance, are visited by CA officers often to request for LGU officers' intervention in the community's affairs. Resolving dissension within the community, however, is beyond the capacity of mobilizers.

Mobilizers may also collect a processing fee from CAs for their assistance in the preparation and submission of documents to the SHFC, community organization, and conduct of educational activities. The fee shall not exceed 2 percent of the loan entitlement per member. The LGU mobilizers seldom collect additional fees and consider this activity part of public service. Despite this free service from LGUs, NGOs are often the preferred mobilizer of many communities because of the other services NGOs offer. The service delivery can also be faster since NGOs are more focused on completing the loan process. In contrast, LGUs have other concerns to attend to and other housing programs to implement, aside from the CMP.

So far, however, there is no apparent conflict between NGO and LGU mobilizers. In areas where LGUs are not active mobilizers, NGOs fill the gap.

The incentive scheme in the CMP makes the mobilizer an agent for both SHFC and the community. Service fees provided by SHFC encourage mobilizers to increase their efficiency and exert efforts to complete the take-out process. The scheme also ensures that mobilizers make an initial assessment of the communities and commit only those that are feasible for the CMP since there is an initial investment involved in the capacity building of the CAs and in the loan documentation. It must be noted, however, that there is not enough incentive for mobilizers to undertake additional capacity-building activities in the post take-out stage.

[15] For on-site projects, lots currently occupied by the CA members are purchased under the CMP. In off-site projects, the ISFs are relocated to another site purchased under the CMP.

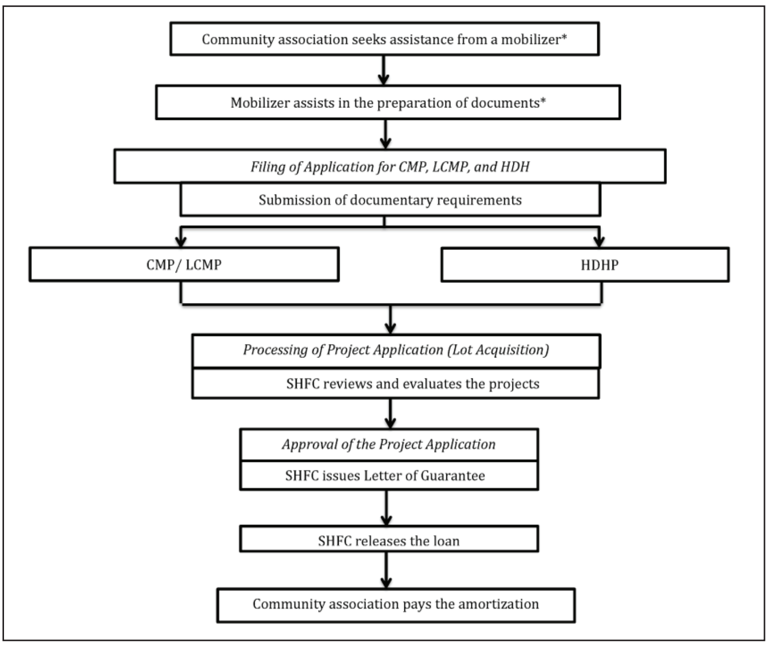
Since the fee is paid after loan approval, the probability of mobilizers taking the money and abandoning the CA becomes lower; however, the CA (as principal) is still subject to the risk of mobilizers running away with the money collected from the community. There are mobilizers that collect additional amounts from member-households for their own pockets. The scheme has attracted syndicates that pose as mobilizers to CMP-aspiring communities.

Loan approval process

Figure 1 shows the CMP process flow. Basic documents that are required in the application for CMP financing are listed in the Citizen's Charter of the SHFC (Box 1). These requirements and qualifications may vary based on the situation as explained in the succeeding discussions.

The SHFC receives and registers loan applications. Due diligence is done for up to 120 working days (SHFC 2011) from receipt of the loan application. Four major evaluation processes are simultaneously done by the SHFC departments under the Loan Processing Group. These

Figure 1. Process flow of the CMP, LCMP, and HDHP



* For the HDHP, SHFC-accredited civil society organizations and/or LGUs assist the CAs.
Source: Citizen's Charter of SHFC, modified by the authors.

Box 1. Requirements for the issuance of the Letter of Guarantee

1. Community profile
2. HLURB certified copy of the Certificate of Registration, Articles of Incorporation, By-Laws, current General Information Sheet of the CA
3. Memorandum of Agreement between CA and CMP mobilizer
4. Masterlist of Beneficiaries with Loan Apportionment (e-copy)
5. Notarized Memorandum of Agreement between the landowner and CA or Letter of Intent to Sell from the landowner and Letter of Intent to Buy of the CA
6. Lot plan with technical descriptions of the proposed CMP site, duly signed by a licensed geodetic engineer
7. Vicinity map showing the name of the roads leading to the site and the landmarks (must show the socioeconomic facilities/establishments within 2- to 5-km radius and distances from the proposed CMP site)
8. Schematic subdivision plan duly signed by a licensed geodetic engineer (must show the area per lot, the excluded lots, if any, and other information pertaining to the site's physical features that may affect the collateral value)
9. Topographic map if the site has sloping terrain
10. Latest Registry of Deeds (RD) certified copy of present title; latest RD certified copy of first back title; latest RD certified copy of second back title
11. Latest tax declaration showing RESIDENTIAL classification
12. Zoning certification
13. Proof of CA savings equivalent to three months amortization and one year mortgage redemption insurance (MRI) premium (both savings and MRI must be deposited in favor of SHFC prior to Letter of Guarantee)
14. Notarized proof of payment of equity (if any)
15. Notarized Lease Purchase Agreement
16. Locational plan of lot sold to CA
17. Notarized Board Resolution/Secretary's Certificate issued by the CA to its representative
18. Updated Real Property Tax Clearance
19. Updated Special Power of Attorney for Individual Landowner or Secretary's Certificate if the Landowner is a corporation
20. Securities and Exchange Commission Certified Copy of Incorporation papers and updated General Information Sheet if the landowner is a corporation
21. Two valid government-issued IDs of the individual landowner/s and/or authorized representative duly certified by the CMP mobilizer. If the landowner is a corporation, IDs of the representative and corporate secretary should be submitted
22. TIN ID of individual landowner
23. BIR Certificate of Registration of Landowner – Corporation
24. Real estate mortgage

Source: Annex "C", Citizen's Charter of the SHFC

are: (1) background investigation, (2) loan examination, (3) mortgage examination, and (4) technical examination.

Background investigation

A background investigation is done by the Project Accreditation Evaluation and Monitoring Department (PAEMD) through general assemblies, individual interviews, and house-to-house validation. This is to check the information given about the CA and its MBs.

CAs must be able to show that they have a legal personality to borrow from the SHFC. This is proven by the Articles of Incorporation and By-laws, an updated general information sheet, and a certified copy of the Certificate of Registration with the Housing and Land Use Regulatory Board (HLURB).

The SHFC (2011) also requires that each MB possesses the following characteristics: (1) is a Filipino citizen of legal age but not more than 60 years old upon loan release; (2) has certified under oath that he has not been a recipient of any CMP loan and has not participated in other government housing programs; (3) does not own or co-own real property and is not a professional squatter as defined in RA 7279; and (4) is a structure owner, a renter, or a sharer at the site.

The PAEMD also collects other basic information on the CA members such as proofs that the MB has the capacity or affordability to borrow; is a resident in the locality based on the proof of identification; and is not a "double awardee". However, there is no in-depth profiling and socioeconomic study done to identify the ISFs that do not need financing or can borrow from formal sources. Income assessment is based on self-reported income, which means that "richer" families tend to underreport income while poorer households tend to overestimate income so as to qualify for a loan and for the program. This raises some concern over CMP's targeting and its implication on its effectiveness.[16]

The collected basic information is included in the master list of MBs, which is likewise reviewed during the background investigation stage, along with information on loan apportionment.

The master list with loan apportionment is a complete listing of MBs making up the CA. It also indicates the lot area, selling price, share in loan, and equity to be paid after the Technical Services Department (TSD) has computed the appraisal value and finalized the loan value. In other words, the PAEMD relies on the output of the TSD for the completion of its own evaluation.

During the background investigation, the PAEMD also reviews the Memorandum of Agreement (MOA) between CAs and their

[16] There are anecdotal reports that if majority of members are poor or with very low income, the SHFC tends to archive these applications, delaying the approval process.

respective MBs, as well as the notarized MOA between these associations and the respective landowners. The latter is also reviewed in the Loan and Mortgage Examination. Having the same requirement for each evaluation stage of the Loan Processing Group raises the question of efficiency. That is, does it make sense for different departments to review the same document?

After the background investigation phase, the schematic subdivision plan is reviewed again. This document provides details on the site itself, including the proposed demarcations of lots. Such a requirement is essential during the background investigation stage because its details can give the agency an idea of how the project should be handled.

In recent years, LGU mobilizers have started to require an approved subdivision plan—i.e., not just a schematic plan—from CAs. Some NGOs participating in the CMP have also recommended that approved subdivision plans be required as part of the approval process to lessen problems on reblocking and implementation of the approved subdivision plan in the future. The SHFC, however, has been flexible with this requirement; in some cases, it still approves projects on an "as is, where is" basis.

Loan examination

The loan examination conducted by the Loan Examination Department ensures that the CAs and their members are willing and capable to secure tenure of the site. The department reviews the Lease Purchase Agreement submitted by CAs to check on the commitment of CA members to be part of the program. It also checks that the CAs' savings is equivalent to three months of amortization and one year of the mortgage redemption insurance (MRI). It must be noted that before the take-out loan is processed, CAs must be able to submit a proof of their cash deposit to cover for future delinquencies, if any. Finally, similar to other departments' background investigation process, the Loan Examination Department also takes a look at the master list, the MOA between the CA and the landowner, and the schematic subdivision plan.

Mortgage examination

The Mortgage Examination Department reviews documents submitted so as to be exempted from the capital gains tax imposed by the Bureau of

Internal Revenue (BIR). Some CAs and mobilizers complain that it takes a long time—usually a year—to get a BIR tax exemption. One notable reason is that for every community housing project, the BIR needs to provide a ruling on the request for exemption. In other words, such a project does not automatically get a capital gains tax exemption upon the BIR's receipt of the documents; the application still goes through a review process at the BIR.

The department also reviews the latest certified copy of the present title and a certified copy of the first to second back titles. While it is indeed necessary for the SHFC to do a thorough examination of the original title, asking for a certified copy of the first to second back titles may not be necessary if the current title is clean and free from encumbrances as checked with the Registry of Deeds.

For land owned by corporations, the department requires additional documents such as the BIR Certificate of Registration of the corporation, notarized Secretary's Certificate or Board Resolution issued by the corporation, certified copy of Incorporation of Papers from the Securities and Exchange Commission, and the corporate secretary or representative's two valid and signed IDs. In cases where the landowner is being represented by another party, an updated Special Power of Attorney is required to prove that the representative is legally capable of signing the documents to effect the sale of the property.

Technical examination

The technical examination is conducted by the TSD. This step is deemed to be the longest process in the functions of the Loan Processing Group since it is concerned with the technical aspects of both the title and site of the lot.

One of the TSD's activities is to validate titles. The required documents related to this process are the latest certified copy of the title and the certified copy of the first to second back title. It must be noted, however, that having a clean title is not the only requisite; not all sites with clean titles are qualified for the CMP. The SHFC (2011) enumerates other qualifications for the program:

1) The land is not classified as agricultural.
2) The land is not within environmentally constrained/hazardous or high-risk areas as certified by the Department of Environment and Natural Resources (DENR) and the concerned LGU.

3) The land has a road right-of-way or an access road to a city, municipal, or barangay road.
4) The landowner should have the legal capacity to sell or transfer the subject property for loan collateral under the CMP.

There are only a few site-related qualifications but complying with these is actually difficult for the stakeholders. The SHFC explains that the CMP projects are not prime lots but mostly marginal lots that can be hazardous. It is also possible that portions of the lot are not buildable. The agency takes full responsibility over checking sites' suitability as this task requires expertise that usually cannot be provided by mobilizers. Although mobilizers are encouraged to do site inspections, they seldom submit reports on the site hazards.

The TSD conducts an ocular inspection of the proposed project site. It looks into the physical features of the site, the location, accessibility, land use type, mode of transportation of the inhabitants, and the vicinity. In addition, the TSD reviews supporting documents, such as the schematic subdivision plan, the lot plan with technical descriptions and signature of the geodetic engineer, the zoning certification, and the vicinity map.

There are instances where the surveyor hired by the CAs submits fraudulent documents to the TSD or is not qualified to do the task. This was experienced by Tabing-Ilog Nangka HOA, Inc., which eventually had to change their lot plan and technical descriptions because there were problems with the one made by their previous surveyor. Each beneficiary had to pay an additional PHP 300 to hire a new surveyor. Problems like this delay the CMP process because most of the loan application stages are connected to each other. In other words, an issue in one of the requirements affects the other stages in the loan process.

These documents mentioned here are also essential in another TSD step: the appraisal. The SHFC now provides a maximum loan package of PHP 250,000 at a monthly amortization of PHP 1,725.49. As mentioned earlier, there is a maximum loan amount depending on the purpose. For instance, for lot acquisition loans, the appraised value of the TSD must not exceed PHP 100,000 per beneficiary.

In the appraisal, the TSD uses the market data approach in which the appraised value is derived by looking at the recent market values of three similar properties and then adjusting these values in terms of location, time, and physical features to eliminate the differences of the comparables to the property being appraised. If the comparable properties have features that do not appear in the property under review, the value of those features is subtracted from the market value of the former. Meanwhile, if the comparable properties lack some features present in the assessed property, the value of the features is added to the market value of the former.

The SHFC appraisal value is the lower value between the average of the adjusted market values of the three comparable properties and the average market values provided by at least three banks. Additionally, the SHFC requires that the selling price should not be more than 20 percent of the appraised value set by the agency.

Some mobilizers and CAs think the appraised values computed by the SHFC are too low. Table 5 shows that out of the 1,832 TSD-appraised projects (as of April 6, 2015) that already have both appraised value and selling price, around 47 percent (851 projects) have a higher selling price than the appraised value. The selling price is higher than the appraised value by between PHP 0 and PHP 3,500 per square meter. The TSD data, however, also show that 50 percent (921 projects) have a selling price that is less than the appraised value by anywhere between PHP 0 and PHP 8,000 per square meter. The latter finding dismisses claims that SHFC appraisals of lots are always lower than the corresponding selling prices.

The duration of the pretake-out processes depends on the situation of each CA. There are instances where the CAs cannot submit a complete set of documents or have complex and problematic cases. The SHFC does not reject loan applications; instead, it sets alternative compliance requirements and, in the meantime, receives the loan application.

The SHFC approval committees

All projects go through three SHFC committees: (1) the Credit Committee (CreCom); (2) the Executive Committee (ExeCom); and (3) the Board of Directors. Both the CreCom and the ExeCom are recommending committees; the Board of Directors is an approving committee.

The CreCom is composed of the SHFC president, executive vice-president, and the Loan Processing Group vice-presidents. The group assesses whether the projects have complied with the agency's guidelines. It can either pass on the projects to the ExeCom or impose additional requirements on the CA. If the CreCom chooses to take the former action, the ExeCom initiates its review.

The ExeCom is composed of select members of the Board of Directors. It checks the activities undertaken by the Loan Processing Group and conducts an initial examination of the projects. The ExeCom then chooses between elevating the projects to the board level or setting more conditions on the CA.

Choosing the former will lead the Board of Directors to initiate its decisionmaking process. The decision to approve a project or not is based on the recommendations of the ExeCom.

In theory, the board no longer reviews specific details. However, Ferido (2015) pointed out that the board, in practice, still delves into the issues already discussed by the ExeCom as well as issues on requirements to be complied by the CAs. This redundancy creates inefficiency in the process.

Table 5. Differences in the selling price and SHFC-appraised value of land

Range of Differences between Selling Price and Appraised Value (Selling Price - Appraised Value), PHP/M^2	Number of Projects	Percentage to Total
Projects where the selling price is equal to the appraised value (SP=AP)	60	3.3
Projects where the selling price is less than the appraised value (SP<AP)	921	50.3
Greater than -8000 and at most -2000	16	0.9
Greater than -2000 and at most -500	209	11.4
Greater than -500 but less than 0	696	38.0
Projects where the selling price is greater than the appraised value (SP>AP)	851	46.5
Greater than 0 but less than 500	657	35.9
At least 500 but less than 2000	190	10.4
At least 2000 but less than 3500	4	0.2
Grand Total	1,832	100

Notes:
(1) Differences between selling price and appraised value = Selling price - Appraised value.
(2) Adjusted selling prices and re-appraised values within the date of coverage have been taken into account.
(3) Only added items which have both a selling price and an appraised value in the original SHFC database.
(4) Removed items with selling prices that differ in the two or all of the following documents: Project Basic Information Sheet, Intent to Sell, and MOA.
(5) For items with different selling prices for lots along the road and those in the interior, those with higher amounts are the ones subtracted from the corresponding appraised values.
Source: Authors' estimates. Basic data from the SHFC database (TSD databank as of April 6, 2015)

All applications that have adverse findings on site suitability, titles, land ownership, and CA membership are archived. Meanwhile, approved projects are given a Letter of Guarantee attesting that the agency will pay the negotiated amount. The landowner, for his part, executes a Deed of Absolute Sale and authorizes the issuance of a Transfer Certificate of Title (TCT).

The take-out stage

In this next step, the SHFC releases the proceeds of the loan to the landowner either in full or in part. The full release of the loan is conditional on the submitted requirements. Documents that must be submitted for a full release are the following: (1) loan agreement, (2) real estate mortgage, (3) promissory note, (4) signed Letter of Guarantee, (5) annotated title in the name of the HOA/cooperative, and (6) tax declaration in the name of the HOA/cooperative. Otherwise, the SHFC will issue partial payments only.

The initial payment will be 50 percent of the loanable amount; the final payment will be the remaining 50 percent. Upon the release of the loanable amount, even if only partial payments are made, the project will already be considered as "taken out".

The partial release of loan proceeds as payment for a lot has discouraged landowners to participate in the program. Thus, some CAs negotiate for direct purchase from the landowner with the LGU or NGO mobilizer as mediator. This arrangement works well for smaller-sized areas or communities with less than 20 households. It also works for CAs composed of wealthier households because the scheme implies that the member-households have to generate savings within a shorter period as compared to the 30-year loan tenure of the CMP.

Overall, the loan application process can be tedious. For some mobilizers, six months is already fast for a partial take-out (50% loan release), while full take-out would usually require at least a year and a half. Some NGO mobilizers can provide bridge financing to selected CAs specifically if the landowner is not willing to wait, but this type of arrangement is not yet fully appreciated by the SHFC.

For its part, the SHFC has made major changes to hasten the CMP process. It has reduced the number of requirements, created an express lane and recently offered an accommodation mortgage scheme where the landowner can be fully paid upon loan approval with only the cost of capital gains withheld (pending the BIR's approval of the capital gains tax exemption).

Review of Other Loan Products of CMP

Localized Community Mortgage Program (LCMP)

The LCMP is a modified version of the CMP to institutionalize a co-sharing arrangement with LGUs, thereby requiring more participation and cooperation from the LGUs. As co-partners, the LGUs act as a satellite branch of the SHFC. The SHFC, thus, employs a more decentralized approach in the LCMP compared with the regular CMP.

In particular, Corporate Circular No. LCMP-002 (dated October 24, 2011, Amended Implementing Guidelines for the Localized Community Mortgage Program) sets the following objectives for LCMP:

1) Extend financial support to priority socialized housing projects based on actual housing needs in the locality;
2) Facilitate the development and empowerment of local housing stakeholders to actively participate and work together for a more focused reduction of housing backlog in their areas; and
3) Effectively leverage and align national and local social housing funds to increase resources available for shelter and make homeownership within reach to a great number of families in partner-LGUs with substantial housing backlog.

These LCMP objectives are noteworthy. First, the program helps capacitate LGUs and fulfill its housing mandate under the Local Government Code of 1991 and the Urban Development Housing Act of 1992. Second, the provision of a counterpart fund by LGUs leverages SHFC's funds to enable CMP to serve more ISFs. Third, the transfer of pretake-out role to the LGUs speeds up the service delivery.

The roles and responsibilities of SHFC and LGUs under the LCMP are defined in terms of fund contribution and project delivery.[17] In terms of fund contribution, the SHFC lends 75 percent of the cost of projects in first- to fourth-class cities and 90 percent of the cost of projects in fifth- to

[17] Provinces are also eligible to participate in the LCMP projects as long as there is a joint venture undertaking between them and their corresponding municipalities or cities.

sixth-class cities and all municipalities.[18] The LGUs, for their part, must settle the remaining equity through cash financing for the purchase of the lot or site development, or through a grant of LGU-owned land for the project. The SHFC also grants the qualified partner-LGU an Omnibus Commitment Line not larger than PHP 50 million based on the LGU-identified community or social housing project.

In terms of program implementation or delivery of projects, LGUs perform the following functions:[19]

1) Accredit NGOs or private organizations as CMP mobilizers;
2) Assist SHFC in pretake-out activities such as background investigation of CAs, site inspection and appraisal of project(s), loan examination, and mortgage examination;
3) Assist in the collection of monthly amortization payments through the distribution of billing and demand letters. The LGUs get one-sixth of the interest collected from the CA after an issuance of post-audit clearances provided that the CER of the corresponding project has reached 90–100 percent and that the LGU has assisted in the collection campaign of SHFC;
4) Provide a performance warranty, which is equivalent to six months of the amortization payment of the CAs; and
5) Assist the CAs in the settlement of advance payment equivalent to three months of the amortization before the SHFC loan is released.

Aside from the pretake-out functions and collection services, LGUs are also expected to inject livelihood projects to LCMP communities and provide other social services support since these households are the constituents of the locality.

On the other hand, the primary role of SHFC is that of a financial partner. Its specific functions on project implementation are the following:[20]

1) Conduct trainings, orientations, and seminars for partner-LGUs;
2) Validate the LGUs' loan evaluation activities. In practice, the SHFC and the LGUs jointly undertake pretake-out functions

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[18] The project cost, unlike in the regular CMP, includes the capital gains tax.

[19] The roles of LGUs and SHFC are provided in Corporate Circular No. LCMP-002 (2011, p. 3).

[20] Based on Corporate Circular No. LCMP-002 (2011), p. 2–3.

(e.g., background investigation, loan examination, mortgage examination, and technical examination) but over time, these pretake-out functions will be delegated to LGUs;

3) Issue the Letter of Guarantee on approved loans and release its share of the funds;
4) Post-audit the project and the loan documents within 120 working days from the release of the take-out proceeds;
5) Process refund of the performance warranty deposit of the partner-LGU after the issuance of post-audit clearances; and
6) Do a background investigation into the occupancy of the beneficiaries and validate the LGU's appraisal on the project.

Overall, the LCMP is beneficial to the SHFC because the agency is able to leverage funds but reduce its portfolio risk by transferring part of that risk to LGUs. Meanwhile, while LGUs should be concerned with housing needs of their constituents, they are not keen on taking on this risk. This concern is borne out of many LGUs' experience regarding poor cost recovery on public housing projects.

The LGUs' lukewarm reception toward the program is evident in their lack of participation in the LCMP. Since the implementation of the LCMP in 2007, only nine LGUs took part (Annex 3). In Metro Manila, none of the city LGUs participated in the LCMP although almost all are CMP mobilizers. Many LGUs would rather implement their own program should they have funds for housing or remain as CMP mobilizers.

High-Density Housing Program (HDHP)

The HDHP is a pilot program administered by the SHFC with a PHP 20 billion funding under the ISF Housing Program of the government.[21] The pilot program is intended to test the feasibility of a community mortgage loan on high-density development where sites and services are made part of the loan. This implies a higher loan ceiling and one-time loan approval process instead of incremental phases.

The HDHP loan package may either be for: (1) building construction only; (2) lot acquisition and building construction; or (3)

[21] The ISF Housing Program was a program of the Aquino administration (2011–2016) that was targeted to informal settlers in danger zones. The program gave priority to Metro Manila and to in-city resettlement. It was allocated a budget of PHP 10 billion yearly or a total of PHP 50 billion for five years.

lot acquisition, building construction, and site development.[22] The loan ceiling for each beneficiary is PHP 450,000, inclusive of land acquisition, building construction, and site development, with an interest payment of 4.5 percent per annum and payable up to 30 years.[23] In addition, the loanable amount to be approved will be whichever is the lowest amount among: (1) the sum of the loan entitlement of the CAs' MBs, (2) the project cost, or (3) the appraisal value of the property (Section 5, Corporate Circular HDH No. 14-002).

The HDHP uses a graduated amortization scheme with a 10-percent yearly graduated increase until the 11th year, where subsequent amounts of monthly payments will already be constant. The total monthly amortization is inclusive of insurance coverage: (1) the MRI and (2) fire and allied perils insurance (FAPI). Both the MRI and the FAPI premiums for the first year must be paid in advance by the beneficiaries, while the subsequent payments shall be made monthly.[24]

Table 6 illustrates the monthly amortization to be paid by the beneficiary. This amortization is twice the CMP loan amortization. As mentioned above, while CMP loans have fixed amortization for 30 years, that of HDHP loans increases at 10 percent yearly until the 11th year, at which time the amortization would have been almost PHP 3,000 or five times the CMP loan amortization. The graduated amortization assumes that beneficiaries would have improved their incomes by then.

Nevertheless, while incomes may improve, maintenance cost of housing will increase, and the expenditure pattern of families is expected to change (e.g., expenditure on schooling and other basic needs increases as children grow older).

The HDHP implements two schemes: (1) High-density Housing (HDH) based on a People's Plan and (2) HDH Refinancing.

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[22] Building construction may be availed of only if the land has been donated, leased to, or bound by a usufruct agreement with the CA (SHFC Corporate Circular No. 13-026, Series of 2013).

[23] HUDCC Resolution No. 1 (Series of 2013, dated October 16, 2013) increased the loan ceiling from PHP 400,000 to PHP 450,000.

[24] The CAs have a one-month grace period for the first monthly amortization payment (Corporate Circular No. 13-026, Series of 2013). If the loan package is for building construction only, the amortization payment of the CAs starts two months after their issuance of the Certificate of Completion and acceptance of the building (Corporate Circular HDH No. 14-002).

Table 6. HDHP amortization scheme (PHP)

Loan	PHP 450,000.00			
Interest	4.50%			
Term	30 years			
Graduated increase	10.00%			
Year	**Monthly Amortization**	**MRI (Monthly)**	**Fire Insurance (Monthly)***	**Total Monthly Amortization**
1	1,097.24	184.50	30.60	1,312.34
2	1,206.97	184.50	30.60	1,422.07
3	1,327.66	184.50	30.60	1,542.76
4	1460.43	184.50	30.60	1,675.53
5	1,606.47	184.50	30.60	1,821.57
6	1,767.12	184.50	30.60	1,982.22
7	1,943.83	184.50	30.60	2,158.93
8	2,138.21	184.50	30.60	2,353.31
9	2,352.04	184.50	30.60	2,567.14
10	2,587.24	184.50	30.60	2,802.34
11–30	2,845.96	184.50	30.60	3,061.06

Source: SHFC (2014)

HDHP People's Plan

The HDHP with a People's Plan scheme has two phases: (1) land acquisition (which makes up Phase I) and (2) site development and building construction (which make up Phase II).[25] Alternative modes of lot and building ownership are made available to address affordability issues.

In cases where the property would not be affordable to a significant number of beneficiaries, the SHFC acquires the land as its asset, which is intended for socialized housing for HDHP beneficiaries. It also has the option to co-own lots and buildings and rent these to families (Corporate Circular No. 13-026).

Additionally, the HDHP offers a rent-to-own scheme where after five years, the beneficiaries will either have to enter a Contract to Sell with the SHFC or move out (Corporate Circular No. 13-026). This type

[25] Phase I of the HDHP must be completed first before the commencement of Phase II, but the land approval process is done simultaneously as documents are provided.

of arrangement is similar to the National Housing Authority's in-city resettlement projects.[26]

The HDHP People's Plan adopts the CMP strategy where ISFs organize themselves into CAs. The CAs identify the beneficiaries, undertake a community profiling survey, and mobilize community resources (Corporate Circular No. 13-026, Series of 2013: High-Density Housing Project Guidelines).

Section 6 of the Corporate Circular HDH No. 14-001, Series of 2013 (Implementing Rules and Regulations for High-Density Housing Program Land Acquisition Loan) states that (1) the CAs must be registered with the HLURB or the Cooperative Development Authority and must have a track record in good standing, (2) the projects must appear to be manageable, and (3) the CAs must have a clearly defined project management structure. In addition, they must have organizational plans that would come handy during the repayment period.

The HDHP People's Plan scheme is also open to CAs that are either registered owners of a lot, are using the land through usufruct, or have acquired a lot (e.g., through direct purchase or loan). These CAs are eligible for the building construction and/or site development loans as long as they comply with the requirements.[27] This means that the HDHP funds can also be utilized for site development and housing in CMP-acquired lots.

The HDHP, like the CMP, works through mobilizers called civil society organizations (CSOs), which include NGOs and people's organizations. Mobilizers assist the CAs in community organization and loan documentation phases, including the construction and post-occupancy phases.

Section 4 of the Corporate Circular HDH No. 14-004, Series of 2014 (Implementing Rules and Regulations for the Accreditation of SHFC Civil Society Organization Partners for the High-Density Housing Program) states that CSOs are tasked to help: (1) build the governance structure of CAs; (2) prepare the technical, legal, and financial requirements; (3) develop the CAs' technical capacities; (4) improve the socioeconomic status of beneficiaries; and (5) prepare the loan documents.

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[26] The CAs inform the SHFC of the tenurial arrangement that they would like to institute in the project (Section 7, Corporate Circular HDH No. 14-002).

[27] Section 3 of Corporate Circular HDH NO. 14-002, Series of 2014.

Additionally, CSOs assist the CAs in developing the People's Plan. They conduct technical workshops on house design and site development planning (Section 4, Corporate Circular HDH NO. 14-004). For these activities, the CSOs are paid a service fee equivalent to 2 percent of the land acquisition cost or PHP 1,500 per CA member, whichever is higher.

Other key partners in the HDHP are contractors or developers who provide the technical expertise and undertake construction. The CAs, with the help of the CSOs, select their contractors and may hire two or more contractors when the project covers at least 500 housing units (Section 8, Corporate Circular HDH No. 14-002).[28] These contractors are assessed by the SHFC based on their organizational structure, technical expertise, managerial capability, delivery capability and experience, and financial stability. Contractors of the HDHP are paid from the loan proceeds based on the negotiated price of their contracts.

Contractors or developers are required to issue a certification that the plans, designs, and specifications of the respective CAs are in accordance with relevant laws, ordinances, and regulations (Section 11, Corporate Circular HDH NO. 14-002). Contractors that participate in the HDHP are usually "social" contractors who are willing to take on lower profits for social projects. They are also willing to make initial investments to start the project. This has been the experience of the AMVACA and Ernestville HOA, Inc., whose contractors had agreed to start the construction even when no payment were given to them yet.[29]

In the HDHP, the Department of the Interior and Local Government (DILG) acts as the oversight agency. The DILG evaluates the plan conceptualized by the CAs with the assistance of the CSOs. It also submits the master list of members who are eligible to avail of loan assistance through the HDHP to the SHFC.[30] The DILG's involvement ensures better targeting of beneficiaries (i.e., that the program's beneficiaries are indeed those who have a legitimate need for government housing and are residents in danger areas). The SHFC, for its part, looks at the DILG master list and reviews the list based on its alpha list of beneficiaries, including those of other government housing programs, to check for

[28] Membership of above 200 households is allowed for housing cooperatives.

[29] Communities may also seek the services of academe-based technical experts (engineers, architectural graduates) in the subdivision/housing planning and design.

[30] The master list of ISFs is based on census of ISFs in major waterways areas conducted by DILG in cooperation with the Metro Manila Development Authority and Metro Manila LGUs.

double availment (i.e., to see if there are CA members who are already beneficiaries of other housing programs).

The application process of HDHP projects takes longer given the additional permits and licenses that need to be provided. These housing projects go through similar pretake-out steps: background investigation, mortgage examination, loan examination, and technical evaluation. The SHFC checks the affordability of the projects to MBs. It makes a collateral appraisal based on the CMP Appraisal Methodology Manual[31] and general appraisal approaches, practices, and principles.

The HDHP thus faces similar issues as those in the CMP. These issues include those that concerns the SHFC, such as redundant submission of requirements, slow loan application process, low appraisals of properties, and issues on titles like encumbrances and defective technical descriptions (Table 7). Since the HDH scheme involves delivery of completed housing, concerns on disaster resilience, availability of utilities, cash flow, and affordability are likely to be magnified, too.

Table 7. Issues encountered in the implementation of HDHP

Implementation Stages	Issues
1. Project development (Registration and people's planning)	***Issues on slow registration/accreditation process:***
	LGUs (letter of support)
	HLURB (Registration of CAs)
	Cooperative Development Authority
	DILG certification
	Issues on CSOs and CAs
	Affordability of beneficiaries
	Lack of technical knowledge
	Different in culture (acceptance to living in medium-rise buildings)
	Knowing roles and responsibilities

[31] This is the CMP Manual approved by the SHFC Board of Directors on 27 July 2006 (Section 5, Corporate Circular HDH No. 14-001, Series of 2013).

Table 7. (continued)

Implementation Stages	Issues
	Issues with landowner Slow negotiations with landowner
	Issues with recalcitrant and syndicates
	Issue with processing fee
2. Lot acquisition (DILG certification and SHFC acceptance of application)	***Issues related to SHFC*** Repeated submission of requirements Slow and low appraisals
	Issues related to government LGUs - Uncooperative due to clashes in political boundaries and political parties - Provision of utilities and services - CLUP not updated NGA-owned lands are not readily accessible and negotiable
	Issues related to landowner Payment of real property tax
	Issues related to payment of taxes and documentary requirements Capital gains tax and transfer tax exemption Estate tax Donation tax Extrajudicial settlement
	Issues on the title Encumbrances Defective technical descriptions
	Issues on high cost of land (private and government)
	Issues on road right-of-way
	Issues on reclassification/conversion
	Issues on accommodation for cooperatives

Table 7. (continued)

Implementation Stages	Issues
3. Construction	***Issues on quality of the constructed building, general post-occupancy safety, and disaster risk reduction and management***
	Issues on utilities and services
	Issues on permits and finalization of design
	Issues on availability of funds (cash flow)
	Issues on weather
4. Occupancy phase (Estate management and collections)	***Issues on estate management*** Formulation and implementation of rules Use and maintenance of common spaces Collection of monthly dues Security Sanitation
	Issues on individualization and selling of rights to the units
	Issues on livelihood
	Issues on collection of amortization
	Issues on Insurance

Source: Information provided by SHFC based on the HDHP Budget Consultation conducted in February 2015

The Ernestville HOA I and AMVACA projects are among the first HDH People's Plan projects.[32] For these projects, however, the processing of the documentary requirements took three years because of issues on land, building design and permits, and local government support on the project, according to interviews with AMVACA officers. The officers of Ernestville HOA, Inc. recounted how they had to wait for two years before getting an approval on some phases of the program. They mentioned that

[32] Ernestville HOA I is composed of around 212 families that have mostly originated from Barangay Gulod, Novaliches, Quezon City. Meanwhile, AMVACA is composed of around 1,440 families that mostly originated from Valenzuela City.

they were made to submit requirements in "installments". The slow pace was so discouraging that some of the original beneficiaries had decided to leave the program.

Despite these experiences of AMVACA and Ernestville HOA, Inc., the MBs remain optimistic about the HDHP. In particular, the AMVACA project is being showcased as the HDHP model for People's Plan. Meanwhile, Ernestville HOA displays the resilience of CAs in completing their housing projects despite initial setbacks and limited political support.

HDHP refinancing scheme

Another scheme under the HDHP pertains to refinancing. The refinanced HDH projects are multistory buildings constructed using LGU funds. The LGU takes the lead in the development of projects by assuming the role of both the developer and landowner.

Ernestville HOA, Inc.

The Ernestville HOA, Inc. project in Novaliches, Quezon City, is intended for 212 ISFs living along the Tullahan River.

Members of the HOA were organized by the Gulod Urban Poor Alliance and assisted by their chosen mobilizer, the Foundation for the Development of the Urban Poor. The group effort resulted in the approval of the construction of two buildings as pilot project, with each housing unit having a floor area of 26 square meters. The housing project has a lot area of 4,869 square meters and is composed of 12 two-story buildings.

The site development was undertaken using the savings of the HOA and supported by the local government of Quezon City.

Alyansa ng mga Mamamayan ng Valenzuela Housing Cooperative

The AMVACA Housing Project is a 4.2-hectare condominium style being built for 1,440 members of the housing cooperative. The members of the cooperative are mostly from informal settlements along the danger zones of Tullahan River in Valenzuela. The group applied for a loan under the HDHP of SHFC, which was approved in December 2013. The loan is payable for a maximum term of 30 years with an interest of 4.5 percent annually.

The AMVACA Housing Cooperative adopted a community-driven housing strategy in planning for their relocation. Its members, with the help of their mobilizer, Kilos Maralita, are very hands-on in the project. They took part in identifying the relocation site, choosing the land developer, planning the design of the housing buildings, and monitoring the construction process. Aside from the cluster of 30 buildings at three stories each, commercial areas that include a wet and dry market, a daycare center, and a clubhouse will also be constructed.

As developer and owner, the LGU provides the development funds, undertakes the subdivision planning and design, and selects the beneficiaries of its housing projects. Once the development is completed and housing units have been transferred to beneficiaries, the LGU turns around to leverage its funds by using the Home Development Mutual Fund (HDMF) or the SHFC take-out mechanism for end-user financing. The SHFC allocates a portion of the HDHP funds for this refinancing strategy.

The HDHP partnership between LGUs and SHFC is also viewed as a public-private sector partnership for socialized housing. Corporate Circular HDH No. 14-003 mandates that LGUs shall become HDHP partners and create a department or unit that will specifically handle the respective projects. As HDHP partners, LGUs are tasked to directly assist communities in capacity building, preparation of documents, and collection of monthly amortization. The CAs of the HDHP projects for refinancing, for their part, should create a partnership with the LGUs and apply for a loan.

Corporate Circular HDH No. 14-003 further provides that the property or housing projects entered into the HDHP must comply with the following:

1) The title/s must be registered under the name of the LGU.
2) The land is classified as residential.
3) The title/s should be free from liens or encumbrances.
4) The project must comply with the standards set by BP 220 and other applicable laws, rules, and regulations.
5) The project must have secured the necessary permits, licenses, and clearances from the appropriate government agencies.
6) The building(s) must be complete and ready for occupancy by the ISFs.

The payment for these properties under the program may be made by the SHFC to the LGU (as the property's landowner and developer) through two schemes. One scheme is a staggered payment wherein 50 percent is released provided that the buildings are 100 percent occupied and that the initial documents for loan processing have been submitted to the SHFC (Annex 4 shows the list of requirements). The remaining payment will be released once the title has been transferred from the LGU to the name of the CA, and the rest of the required documents have been submitted.

The other payment scheme is where the LGU will be paid in full all at once. This scheme applies to LGUs that have already submitted all the requirements and have issued a warranty of undertaking to comply with their obligations, including the necessary repairs of the structure in the property.

Initial projects under the HDH refinancing scheme are projects financed and developed by the local government of Quezon City. In particular, the Bistekville Project of the city is considered a best practice model for ISF HDHP and LGU social housing. Its housing concept is a mixed-income subdivision that caters to both middle- and low-income sectors. Its design moves away from the "one size fits all" scheme of public housing project to one that considers different affordability levels. Single-detached houses and townhouses are available for middle-income

Bistekville projects under the HDHP

Bistekville projects under the HDHP are refinanced projects of the local government unit of Quezon City. The projects are intended for ISFs in Quezon City, especially those that had been living in waterways and danger areas. Bistekville-1, financed with the SHFC and Pag-IBIG Fund, is located in Barangay Payatas, Quezon City. It is a 15,651-square-meter lot with 334 housing units, 144 of which are allocated to ISFs that had lived along waterways. Bistekville-2, also financed with the SHFC and Pag-IBIG Fund, is located in Barangay Kaligayahan, Quezon City. It is a 48,876-square- meter lot with 1,078 housing units, 375 of which are allocated to ISFs that had lived along waterways. Bistekville-4 is a project financed solely by the SHFC and is located in Barangay Culiat, Quezon City. It is a 9,200-square-meter lot with 266 housing units.

Source of photo: Local Government Unit-Quezon City, Powerpoint presentation on In-city Resettlement: Socialized housing projects

households, while the three- to four-story housing is available to those in the lower-income level.

An estate manager hired by Quezon City is assigned to the area who, with the support of NGOs, helps capacitate the communities within the subdivision on the professional approach to estate management. The Bistekville Project model has been replicated by the city. Currently, there are four similar subdivisions under construction in patnership with SHFC's HDHP.

Table 8 shows the number of projects on the pipeline for the HDH People's Plan and refinancing scheme. The key features of CMP, LCMP, and HDHP are summarized to provide an overview of similarities and differences across programs (Table 9).

Table 8. HDHP Board-approved projects as of February 24, 2015

	People's Plan	Number of ISFs	Refinancing	Number of ISFs
Taken-out projects	9	5,534	2	114
Pipeline projects	5	3,509	5	212

Note: LGU-QC is a partner in all refinanced projects.
Source: Data adapted from SHFC (2015a). Authors categorized projects with LGU partners under refinancing, and projects with NGOs and people's organizations as partners under People's Plan.

Table 9. Comparative features of community mortgage programs of the Social Housing Finance Corporation

	Community Mortgage Program	Localized Community Mortgage Program	High-Density Housing Program
Main pretake-out role	Social Housing Finance Corporation	Local government unit (LGU)	Social Housing Finance Corporation
Mobilizers	(1) Local government units; (2) nongovernment organizations; and (3) national government agencies, bureaus, and corporations	Nongovernment organizations/ Private organizations/Local government units	Civil society organizations
Target beneficiaries	Urban poor communities	Urban poor communities of the partner-LGUs	Communities positioned along waterways and living in danger areas
Site location	(1) On-site or (2) off-site	(1) On-site or (2) off-site	(1) In-city, (2) near City, or (3) off-site
Loan types	(1) Land acquisition, (2) site development, and (3) home construction	(1) Land acquisition, (2) site development, and (3) home construction	(1) Building construction only, (2) Lot acquisition and building construction, or (3) lot acquisition, building construction, and site development
Maximum total loan amount	PHP 250,000	PHP 250,000	PHP 450,000
Loan release	Full or partial	Full or partial	Full or partial
Interest rate	6% interest rate per annum	6% interest rate per annum	4.5% interest rate per annum
Repayment period	25 years	25 years	30 years

Source: Authors' summary

Overall, the HDHP has created some improvements on the CMP's program design. Targeting has improved with the involvement of another agency, the DILG, in providing the master list of beneficiaries and in approving member substitutions within the CA.

The HDHP also addresses the land constraints and urban sprawl problem in Metro Manila. Since the implementation of subdivision plans and provision of basic infrastructure services are made part of the loan, better housing communities are assured. Moreover, the HDHP allows LGUs greater participation and commitment in local housing. This is definitely a better arrangement than LCMP.

However, there is not much improvement in loan processing. The loan approval process, in effect, has been lengthened due to additional requirements on construction and building.

Affordability is another issue. With the higher loan amount, some families will not be able to afford ownership of the unit. There could also be welfare cases whereby rental arrangements may not be feasible. The HDHP forces the SHFC to consider a subsidy program for beneficiaries, which at present is not available under the CMP and LCMP programs.

Key Indicators of the CMP Performance

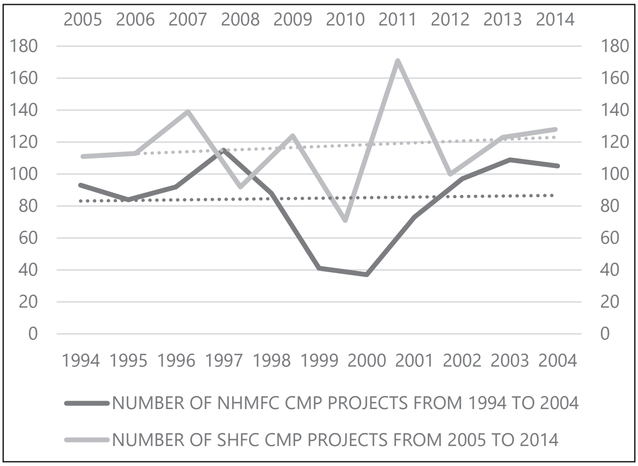
This section's discussion focuses mainly on the outputs of the CMP because the other program, HDHP, is relatively new. For the past 25 years, the CMP has been providing important milestones and accomplishments.

Coverage

As of December 2014, there were around 2,403 CMP projects extending loan assistance to about 270,160 ISFs (Annex 5). The program started slow at first, with only around 16 projects taken out in 1989, particularly because the program's key stakeholders had yet to undergo a learning curve in terms of familiarizing themselves with the processes. Over time, the number of taken-out projects has grown.

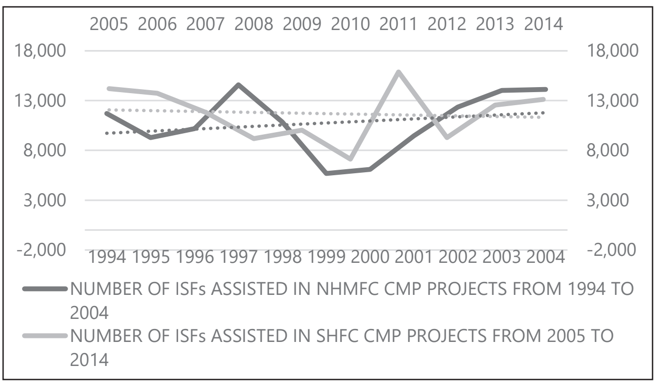
However, excluding the pilot years 1989–1993, this growth in the number of taken-out loans has not been significant. Figures 2a and 2b each shows the years the CMP was managed by the NHMFC and by the SHFC, respectively. Figures show that although the SHFC has generally taken out more projects than the NHMFC, the growth has been almost flat as well.

Figure 2a. Number of NHMFC and SHFC CMP projects, 1994–2014



Basic data source: SHFC Planning Department database. Removed bridge financing items from the original data.

Figure 2b. Number of ISFs assisted in NHMFC and SHFC CMP projects, 1994–2014



Basic data source: SHFC Planning Department database. Removed bridge financing items from the original data.

The number of projects indicates that the pace of the SHFC loan application process has not improved much during the period in review. Complaints about the long processing time have been raised by both mobilizers and CAs. While the entire loan approval process of the SHFC is programmed to be completed within six months, actual processing time extended beyond one year. The SHFC does not monitor projects

Table 10. Comparison of committed projects, 2013 and 2014

	2013			2014		
	Commitment	Actual Performance (January–December)	Accomplishment (%)	Commitment	Actual Performance (January–December)	Accomplishment (%)
New applications						
Number of projects	155	30	19	53	17	32
Number of informal settler families assisted	20,814	3,738	18	7,097	2,140	30
Loan mortgage value	PHP 1.06 billion	PHP 220.69 million	21	PHP 514.17 million	PHP 182.89 million	36
Pipeline project						
Number of projects	134	33	25	146	42	29
Number of informal settler families assisted	16,602	3,646	22	16,366	4,202	26
Loan mortgage value	PHP 1.21 billion	PHP 421.57 million	35	PHP 1.28 billion	PHP 297.39 million	23

Note: During budget consultations, the SHFC instructs the mobilizers to classify their committed projects as "new applications" or projects for take-out ("pipeline projects"). "New applications" are those that the mobilizers project to submit based on provided parameters by the SHFC. "Pipeline projects" are the projects that are currently being processed for take-out by the SHFC, excluding those that have been archived.
Source: Data from SHFC (2015b)

based on a timeline, making it difficult to track the actual progress before take-out.

Note, too, that in recent years, the completion of previously committed projects has been quite low. In 2013, only 33 out of 134 committed projects for take-out have been accomplished (Table 10). Meanwhile, in 2014, only 42 out of the 146 committed projects for take-out were completed.[33]

Analysis of the CMP process indicates that the SHFC does not disapprove loan applications but instead archives those that have technical, mortgage, or loan deficiencies. The number of archived projects is not available, but the number of additional documents requested by the SHFC shows that the application process can be tedious. Ferido (2015) noted that for applications with no identified issues, between 39 and 44 basic requirements have to be submitted to SHFC. He adds that 54 documents may be required as possible alternative compliances in cases where the project is problematic and conditions are not verifiable by the basic requirements (Table 11).[34] Most conditions requiring alternative compliances are identified during the Technical Examination and Mortgage Examination (Ferido 2015).

Upon review of the list provided by Ferido in his 2015 paper on the CMP, additional documents were needed to establish the feasibility of the projects (Annex 6). However, some CMP mobilizers and CAs had complained about how the SHFC issued these requirements in "installments". They recounted their experiences on how they kept going back to the SHFC in their bid to comply with the additional requirements set by the agency. Some also mentioned cases wherein documents deemed adequate enough and already approved by one project were ironically rejected by the Loan Processing Group in another very similar project. In other words, the SHFC has been flexible with its requirements for some but not for other projects.

Bottlenecks in CMP loan processing can be classified as either land constraints (including site constraints), tax-related constraints (e.g., BIR capital gains tax), and community-related constraints. Land constraints

[33] The SHFC, nevertheless, notes that the take-out performances have already improved as compared to those in the previous years.

[34] These numbers are inclusive of the number of similar documents required by the Loan Processing Group.

Table 11. Basic requirements and alternative compliances submitted during application and evaluation

Activity		Number of Basic Requirements	Number of Possible Alternative Compliances
Loan application		2	
Evaluation	Background investigation	6–7*	1
	Technical examination – Site inspection and appraisal	6	29
	Loan examination (LE)	6	5
	Mortgage examination (ME)	11–14**	21
Total (A)		31–35	56
Similar requirements (B)		8***	3***
Total (A-B)		23–27	53

* 6 basic requirements if on-site and 7 basic requirements if off-site.
** 11 basic requirements if individual landowner and 14 basic requirements if a corporation.
*** Some activities request similar documents (e.g., background investigation, LE and ME require notarized MOA between CA and landowner).
Source: Ferido (2015)

include those related to extrajudicial settlement; existence of liens, encumbrances, and *lis pendens*; existence of prior mortgage to property; and landowners being dissolved corporations. These issues led 47 percent of the active applications to be archived (LGI 2015).

On the other hand, site constraints consist of issues relating to technical aspects of the sites (e.g., land use, building code, and geohazard and climate change resiliency). Some CMP sites are marginal areas vulnerable to landslides or liquefaction; due diligence is required in these cases. These issues can bloat the requirements, delay the approval process, or even result in the archiving of the application.

Tax-related constraints pertain to the BIR's approval process for tax exemption privileges for socialized housing properties. In the case of the CMP, landowners are exempt from payment of capital gains tax; however, the BIR does not provide automatic exemption. The BIR

Table 12. Details on projects for site development and house construction, January 1989–December 2014

Site Development			House Construction		
Total Loan Amount (PHP)	Number of Involved CAs	Percentage of CMP CAs Involved in Site Development Stage	Total Loan Amount (PHP)	Number of Informal Settler Families Assisted	Percentage of CMP Beneficiaries Involved in House Construction Stage
75,892,810.55	26	1.1	34,784,752	980	0.4

Notes:
(1) Percentage of total CMP CAs involved in site development stage = Number of involved CAs/ Total number of CMP CAs per region
(2) Percentage of total CMP CAs involved in house construction stage = Number of involved CAs/ Total number of CMP CAs per region.
(3) Some of the loan applications for site development involve the same CAs having different loan take-out dates.
Source: SHFC Planning Department

still requires each project to apply for the exemption.[35] Despite SHFC's representation on this issue, the BIR has yet to come up with a decision on the matter.

On community-related constraints, the issues pertain to the readiness of the community to enroll in the CMP. During the loan processing stage, recalcitrant households may create factions in the community. Trust on community officers can also break down.

In general, while these constraints are external to the SHFC, they can put SHFC's loan portfolio at risk and can adversely impact the program's outcomes. Thus, the agency needs to find a balance between increasing outputs and program sustainability.

The CMP projects are around 98 percent land acquisition loans. Data show that there are very few take-out loans for site development and house construction, and this low availment persists throughout the CMP's existence. Only about 26 CAs applied for site development from January 1989 to December 2014 (Table 12). Meanwhile, only around 980 families filed for house construction in the same period.[36] The slow

[35] According to the BIR, the reason for individual approval is that not all CMP projects can be considered housing for the poor, underprivileged, or marginal groups. The BIR based the tax exemption on the situation of beneficiaries.

[36] Some of the loan applications for site development and house construction involve the same CAs having different loan take-out dates because the loans are released in tranches.

pace of loan application has been identified as one of the reasons CAs are not enrolling in the other CMP phases. Communal loan could be a disincentive at these stages but there could be other reasons MBs do not apply (e.g., affordability, low repayment capability, and internal conflicts within the associations).

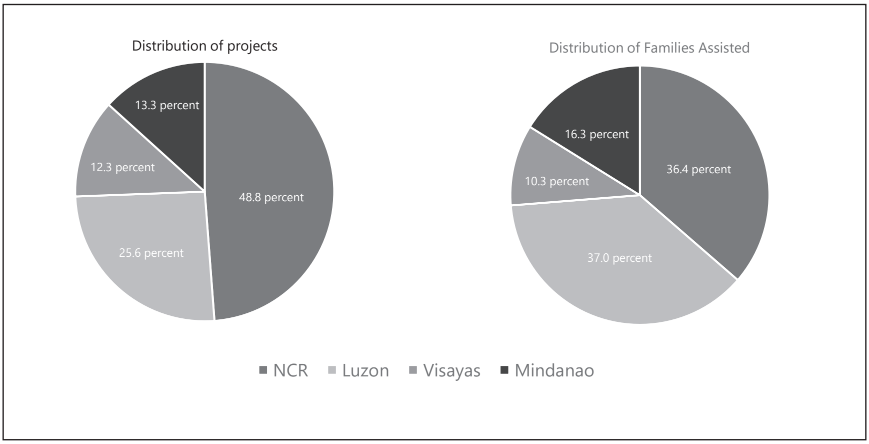
Among the NCR, Luzon (sans NCR), Visayas, and Mindanao, the NCR has the highest number of CMP projects, with about 49 percent of total projects approved from 1989 to 2014 (Figure 3). This high concentration of CMP projects in the NCR is a concern to some, albeit unnecessary. Data by region show that the program has been targeted toward areas with high level of ISFs. The SHFC has also been addressing ISF issues outside NCR through the LCMP, which targets LGUs outside of Metro Manila. Recent statistics also reveal that in 2013 alone, 71 percent (11,443) of the ISFs covered by the program were from areas outside of Metro Manila, and 4,149 (36.3%) of these families were from the poorest provinces (SHFC 2013). The distribution of CMP taken-out projects reveals that the size of the projects range from very small numbers to extremely large ones (Figure 4). From 1994 to 2014, around 35.6 percent of the CAs have less than or equal to 50 members. Around 48.5 percent have from 51 to 200 MBs, while around 15.9 percent have more than 200 MBs.

The size of CAs has implications on the manageability and efficiency of communities, but apparently, the SHFC has not given it much attention, specifically in the early years of the program. In later years, the SHFC eventually set the ceiling at 200 households per community based on the HLURB ruling on HOA membership limitation. Groups with more than 200 households must establish a cooperative as per the HLURB requirement.

While a maximum limit has been set, it is surprising that SHFC accepts applications from HOAs with 10 members or less. This group represents around 5.7 percent of the total projects taken out. If combined with CAs with a group size of 11–20 households, the share increases to around 16.7 percent of all CMP projects.

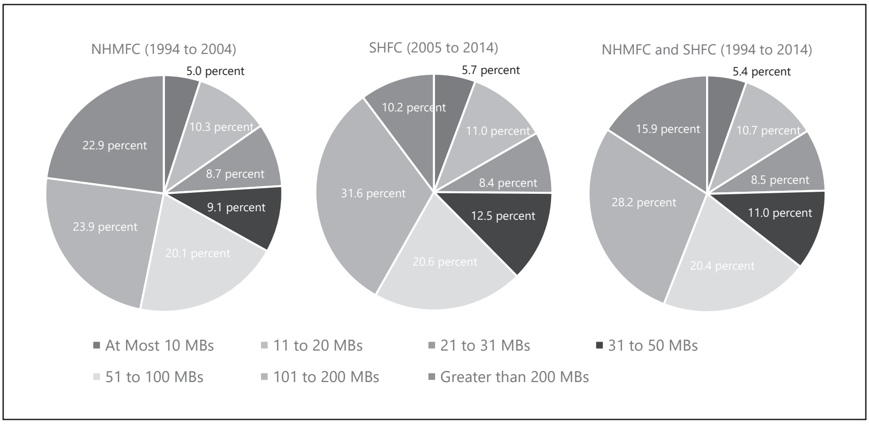
CAs with small sizes would probably be easy to process, thereby increasing SHFC outputs at a faster pace. Servicing this size category, however, defeats the essence of a CMP. Small-sized CAs could directly negotiate with the landowners for direct purchase or with LGUs for financial support, as had been done in several cases. The CMP would

Figure 3. Distribution of projects and families assisted in NCR, Luzon (sans NCR), Visayas, and Mindanao as of December 2014



Notes:
(1) Regional distribution of projects = Number of projects in the region / Total number of projects
(2) Regional distribution of ISFs assisted = Number of ISFs assisted in the region / Total number of ISFs assisted
Basic data source: SHFC Planning Department database. Removed bridge financing items from the original data.

Figure 4. Distribution of CAs by size of membership under the NHMFC (1994–2004) and the SHFC (2005–2014)



Note: Project distribution by number of projects = Number of projects for the given range / Total number of projects
Basic data source: SHFC Planning Department database. Removed bridge financing items from the original data.

have a greater impact if efforts are focused on CAs with higher number of beneficiaries.

Individualization of community title

Individualization of titles is an important feature of the CMP. It implies that the specified lots of each member-beneficiary have been titled and the transfer of property rights to individual households can be undertaken. It ensures that the community loan can be unitized to allow for individualized loans; thus, each member-household can directly transact with the SHFC on loan payment without requiring a letter of authorization from the CA officials. A fully paid member is already qualified to have the title of his lot transferred under his name even if not all the members of the CA have similarly completed their amortizations. It has been argued that with individualization, repayment performance improves (Dumas 2015).

An important feature of individualization is the existence of an approved subdivision plan, which is a necessary condition for the subdivision of titles. An approved subdivision plan implies that open spaces and roads within the subdivision have been clearly delineated and that the individual lot sizes and location have been defined. Approved subdivision plans follow BP 220, which defines the minimum standards for space allocation, road size, and easement for socialized housing development. These regulations could prevent haphazard developments and allow ease of movement of people and vehicles in and out of the subdivision.

The subdivision plan is a basic requirement for site development. Without the approved plan, the provision of basic services is curtailed, causing these CMP subdivisions to remain as slums. LGUs cannot take responsibility on subdivision roads and basic infrastructure unless these roads and open spaces are clearly defined and are turned over to them. In general, CMP projects are taken out on an "as is where is" policy, where alterations and definite indications of open spaces and roads are not required and where subdivision planning is intended instead to be corrected at a later stage.

The extent of individualization of CMP projects, therefore, can reveal the level of physical improvements. It is also an indicator of community cohesiveness since subdivision planning may result in reduction of areas currently occupied due to road widening or the transfer of some houses in a different area of the subdivision. This requires the community to work together toward subdivision improvements.

As of March 18, 2015, 753 of the 2,403 taken-out projects from 1989 to 2014 have passed at least the first stage of individualization.[37] Stage 1 of individualization is the subdivision of title, and a critical requirement is the approved subdivision plan of the CAs. In other words, the 753 projects are assumed to have approved subdivision plans already. Nevertheless, there are projects taken out during the early years of the program (e.g., the 1990s), which are still not individualized (Figure 5). The SHFC pointed out that some CAs do not even attempt to apply for individualization because of internal problems such as when (1) there are factions within the CAs; (2) the elected officers are inactive, making transactions difficult and even impossible for the MBs; and (3) there are several recalcitrant households. Another reason for delays in individualization is the lack of CA funds to pay for a surveyor. Some MBs consider the fees to be too costly.

The reasons for non-individualization are not limited to CA-related issues. Some mobilizers point out that the SHFC does not encourage individualization at the outset since the agency will eventually have to take on the task of collecting the amortizations directly from the MBs, which implies higher operational cost for the agency.

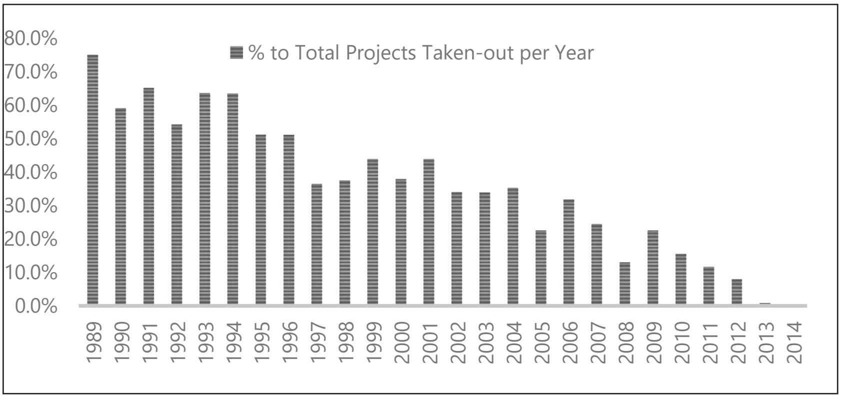
Beneficiary substitution

Substitution involves the transfer of rights and membership of an original MB to a new member. Titles in the name of the CAs could only be transferred to the members registered in the CMP loan portfolio; therefore, the only ones eligible to get their lot titles in addition to the original MBs are the substitutes whose names are in the SHFC's records. It must be noted that the names of substitutes are only listed in the SHFC's records upon the approval by the CA officials and the agency.

Data show that as of April 30, 2015, there are 15,082 SHFC-approved substitutions since the take-out year of 1994, and more than half of these substitutions are in the NCR (Table 13). It is important to understand why all these cases exist and what their implications are.

[37] Data from the SHFC database

Figure 5. Percent of CMP individualized projects to total CMP projects taken out per year (as of March 18, 2015)



Notes:
(1) Individualized projects are either projects with subdivided mother titles/individualized titles only or combined individualized titles and unitized loans.
(2) Number of individualized projects include both the NHMFC and SHFC accounts.
Source: Authors' summary based on basic data taken from the SHFC Project Individualization Department database and SHFC Planning Department database.

There are three major cases of substitution: (1) execution of waiver of rights, (2) default in payment, and (3) assumption of obligation.[38]

One case of substitution is when an MB waives his rights to the lot. There are many factors that explain why original CA beneficiaries would voluntarily give up their rights to the lots even if it would make more sense for them to take advantage of the opportunities CMP offers. If most of these people leave the community only to transfer to less convenient settlements or to squat in another area, then this puts in question the program's benefit to the poor.

Another case for substitution is when the original MBs defaulted in payment. There is no immediate eviction in such cases. Substitution is an action that may be taken by the CAs on those who have not paid

[38] There are other cases of substitution as seen in Annex 7. "Denial of MRI claim" is a situation where the MBs are denied of the Mortgage Redemption Insurance because of old age. "Substitution of lots" is a case wherein the MBs settled in the wrong lot, and the SHFC just allowed an exchange through lot swapping. It must be noted that no beneficiary leaves the community in such a situation. "Generated lots" may result from reblocking, wherein the property is divided again, giving rise to some changes in the lot sizes. The Project Individualization Department, however, notes that some of the categories found in the records are very similar to each other. For instance, there is not much difference between the categories "death of MB" and "assumption of obligation," and between the categories of "violation" and "ejectment".

their monthly amortizations for at least three consecutive months. The CAs send at least three demand letters to the nonpaying MBs, while the MBs are allotted not less than 15 days per receipt of each demand letter to update their accounts. If the MBs still fail to update their accounts, a Notice of Termination will be issued, and they will be informed that their lease purchase agreements with the respective CAs will be rescinded.

Officers will then inform the SHFC about the developments. At this point, the MBs can still appeal for consideration on their case to the SHFC. The agency may grant this appeal; consequently, the MBs would have to update their payments and pay the penalties.[39] On the other hand, if there is no response from the MBs, the SHFC will already proceed with the substitution.

The third major case for substitution is the assumption of obligation. An assumption of obligation usually occurs when the original MB has died. In such a situation, a living descendant who is willing to continue the amortizations may do so and become the substitute. Otherwise, other individuals may apply to become the substitute.

Although substitution has positive effects on repayment (as will be discussed in the next section), it also has negative implications. Ideally, people who really are in need of shelter could get assistance through the CMP. However, they may actually be the ones defaulting in payments and getting substituted in the program.

Also, one should note that before a substitution is approved under all cases, the SHFC requires that all accounts must first be updated. In other words, those applying to become the substitutes must pay the arrears of the original MBs, if any. The problem here is that the urban poor who are the target beneficiaries of the CMP may not be able to afford to make such payments. Consequently, the substitutes may not necessarily be the target beneficiaries of the program.

Collection performance

In terms of overall collection performance, the CMP is relatively doing well. Although the 1989–2009 annual corporate CER at the CA level and the 2010–2014 CER at the MB level both show that the program may not be financially sustainable yet, its achievement in finance is widely

[39] Defaulters must pay an extra 1/15 of 1 percent of the amount due for each day of delay.

Table 13. Substitution approvals as of April 30, 2015

Nature of Substitution	Substitution Approvals for Projects Taken Out from 1994 to April 2015	Percentage to Total Number of MBs of Projects Taken Out from 1994 to 2014*
Waiver	11,432	4.892
Default	3,435	1.470
Assumption of Obligation	49	0.021
Denial of MRI claim	16	0.007
Death of MB	10	0.004
Ejectment	6	0.003
Violation	14	0.006
Substitution of lots	71	0.030
Generated lot	49	0.021
Total	15,082	6.454

*Removed bridge financing items in the database containing the number of MBs of projects taken-out from 1994 to 2014.
Note: See Annex 7 for a regional distribution of the substitution approvals.
Source: Authors' summary based on basic data taken from the SHFC Project Individualization Department database and SHFC Planning Department database

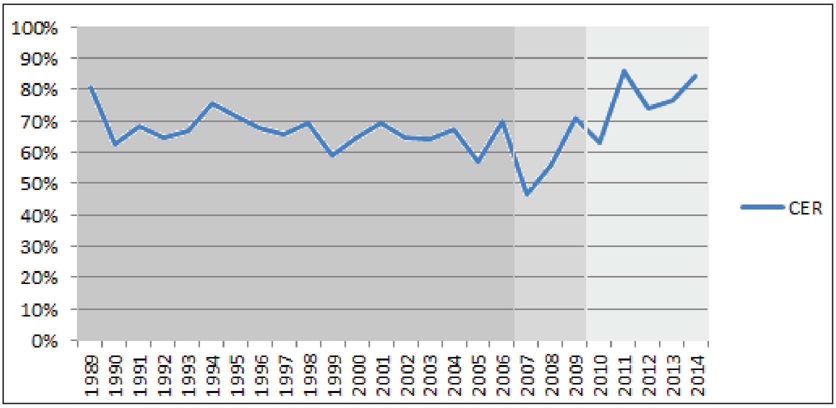
recognized (Figure 6).[40] From January 1989 to February 2015, the CER of 1,030 (43.5%) out of 2,367 CAs in the records of the SHFC's Finance and Controllership Department (FCD) ranges from 100 percent to 150 percent (Table 14). At this point, it is important to establish the factors significantly affecting the CER to ensure the continuity of the program in the long run.

Dumas (2015) revealed the factors that affect CMP projects' CER based on data on sample beneficiaries from June 1994 to September 2012.[41] The author found that the CER (1) is reduced by 15 percent to 25 percent in off-site projects; (2) has a negative correlation with the size of the project; (3) significantly increases along with equity contributions; (4) does not have a significant correlation with the type of CMP mobilizer; (5) has a strong and positive correlation with the economic cycle; (6) has

40 Cacnio (2009) showed that from 1994 to 2007, the CER has not reached at least 85 percent for the program to be deemed financially sustainable.

41 A SHFC data from June 1994 to September 2012 was used by Victor Dumas of the World Bank Group. The study includes data on amortization payments of 15,575 individual beneficiaries in 130 projects and aggregated amortization payments of nearly 1,800 projects.

Figure 6. Annual corporate collection efficiency rating as of January 31, 2015



Notes:
(1) CERs from 1989 to 2009 are at the CA level, while those from 2010 to 2014 are at the MB level.
(2) 2015 data excluded as it covered only the month of January in the report collected from SHFC.
(3) Corporate CER is recorded at the CA level from 1989 to 2009, and at the MB level from 2010 to 2014. The SHFC shifted the recording of collection to the MB level to present more accurate data.
(4) CER formula:
(a) 1989 to 2006 CER = Collection/ Billing
where: Total collections include principal, interest, advances, insurance, arrearages PLUS Penalties while billings include principal, interest, and insurance (current billing only).
(b) 2007 to 2009 CER = Collection/ Billing
where: Total collections include principal, interest, advances, insurance, arrearages LESS Penalties while billings include principal, interest, and insurance (current billing only).
(c) 2010 to 2014 CER = Collection/ Billing
where: Total collections include principal, interest, advances, insurance, arrearages LESS Penalties while billings include principal, interest, and insurance (current billing only).
Basic data source: SHFC Finance and Controllership Department database

Table 14. Distribution of number of CAs per CER range

CER Range	Number of CAs	Distribution per CER Range (in percent)
Below 50	314	13.3
50–84	440	18.6
85–99	415	17.5
100–150	1,030	43.5
Greater than 150	168	7.1
Total CAs	2,367	100

Basic data source: SHFC Finance and Controllership Department database had a positive impact from the substitution of beneficiaries; and (7) is seemingly increased by title individualization.

Overall, a project's CER does not tell the entire story. For instance, beneficiary substitution may displace the poor from the program; thus, substitution should be applied with caution. Similarly, the need for households to provide equity may make it difficult for the poor to participate in the program. Moreover, a high CER among CAs does not mean that all or most of the beneficiaries are updated with their payments. There are cases where the CER of a CA is only high because of members who have already fully paid their loans. According to the records of the FCD as of 31 March 2015 (for the period January 1989–February 2015), there are 37,903 MBs who are fully paid (around 14.5% of total MBs in the FCD's records). However, out of all the CAs, only four are fully paid (around 0.2% of the total CAs in the FCD's records) (Table 15).

A review of the ageing of accounts at the MB level as of February 2015 shows that only 26 percent of the MB accounts are current while 52 percent are past due; the balance of around 23 percent are accounts that were restructured, under litigation, or for remedial action (Table 16). Of the past due accounts, 61 percent are in arrears for three years or more. These accounts can already be considered as dormant.

A high CER also does not ensure that the CA is free from recalcitrants or that individualization after loan take-out will improve CERs. This is apparent in the case of Sitio Fatima Kawayanan Parenthood HOA, Inc. This CA had a CER of 85.2 percent from January to December 2014. Thirty out of its 146 beneficiaries have individualized titles already. However, only a few of the 30 beneficiaries have updated payments. Its president emphasized that while the HOA has already gone through Stage I of the individualization process, the association still has problems with a group of recalcitrants who remained in their lots despite losing the ejectment case filed against them. Their tribe has also grown over the years since they have been persuading other MBs not to pay their amortization anymore.

In the case of the LCMP, 15 of the 28 CAs have CERs of at least 100 percent, while only three CAs have CERs below 50 percent (Table 17).[42] These figures are better compared to the CERs of CAs in the CMP, partly because the funding and risks in the LCMP are shared with LGUs.

[42] The CERs are as of September 2014. Data cover all taken-out projects as of 31 December 2014.

Table 15. Fully paid member-beneficiaries and community associations per region

Region	Number of Fully Paid MBs	Percent to Total MBs in Database	Number of Fully Paid CAs	Percent to Total CAs in Database
Ilocos	18	4.4	0	0.0
Cagayan Valley	624	7.7	0	0.0
Central Luzon	1,977	9.8	0	0.0
CALABARZON	5,953	13.1	1	0.3
MIMAROPA	1,558	13.1	0	0.0
Bicol	408	5.7	0	0.0
Western Visayas	919	5.8	0	0.0
Central Visayas	1,542	21.1	2	1.9
Eastern Visayas	290	9.3	0	0.0
Zamboanga Peninsula	785	10.0	0	0.0
Northern Mindanao	831	10.9	0	0.0
Davao	2,492	13.8	0	0.0
SOCCSKSARGEN	649	9.2	0	0.0
Caraga	671	32.4	0	0.0
CAR	89	12.9	0	0.0
NCR	19,036	19.3	1	0.1
ARMM	61	14.8	0	0.0
Total	37,903	14.5	4	0.2

Basic data source: SHFC Finance and Controllership Department database

However, good CERs in the LCMP do not necessarily translate to the transformation of CAs—the same situation seen in CMP sites under the regular program. In the two LCMP sites visited in Silay City, similar issues were faced by CAs after the take-out. While one of the sites visited has been transformed (e.g., Fisherman's Village), the other CMP site (e.g., St. Francis Assisi) is fraught with internal problems and distrust between members and officers, hindering its community's transformation.

In recent years, the SHFC has been more proactive in helping reactivate dormant accounts. Toward this end, it created the Remedial Group.

Still in its pilot stage, the Remedial Group has already discovered the main reasons for the CAs' inactivity. These are: (1) the officers of the

Table 16. Aging of accounts (MB level) as of February 2015

Aging Accounts	Number of MBs	Percentage in Terms of Type of Aging	Total Arrearages	Percentage in Terms of Amount of Arrearages
Current accounts				
0	40,643	17.5	0.00	0.0
>0–3	19,118	8.2	15,696,044.59	0.2
	59,761	25.8	15,696,044.59	0.2
Past due accounts				
>3–6	9,273	4.0	78,910,678.80	0.9
>6–12	11,792	5.1	61,078,084.60	0.7
>12–24	15,190	6.5	107,022,847.17	1.2
>24–36	10,844	4.7	133,036,290.40	1.5
	47,099	20.3	380,047,900.97	4.4
Past due accounts				
>36–60	15,492	6.7	306,692,788.72	3.5
>60–up	57,346	24.7	3,617,758,206.56	41.7
	72,838	31.4	3,924,450,995.28	45.2
Total past due	119,937	51.7	4,304,498,896.25	49.6
Remedial accounts	27,485	11.8	2,635,370,029.37	30.4
	27,485	11.8	2,635,370,029.37	30.4
Items in litigation and foreclosure accounts	4,945	2.1	674,234,312.99	7.8
	4,945	2.1	674,234,312.99	7.8
Restructured accounts	16,366	7.1	933,191,075.20	10.7
	16,366	7.1	933,191,075.20	10.7
One-year updating				
1 up	3,587	1.5	118,498,371.98	1.4
	3,587	1.5	118,498,371.98	1.4
Grand total	232,081	100	8,681,488,730.38	100

Notes:
(1) Fully paid accounts were removed by the authors.
(2) Percentage in Terms of Type of Aging = Number of MBs Involved per Type of Aging / Grand Total of Number of MBs with Aging Accounts
(3) Percentage in Terms of Amount of Arrearages = Total Arrearages of MBs Involved per Type of Aging / Grand Total Arrearages
Basic data source: SHFC Finance and Controllership Department database

Table 17. Distribution of number of LCMP CAs per CER range (CER as of September 2014)

CER Range	Number of CAs
No CER yet	4
Below 50	3
50–84	4
85–99	2
100–150	11
Greater than 150	4
Total CAs	28

Notes:
(1) Data cover all taken-out projects as of December 31, 2014, which explains why there are CAs without CERs yet.
(2) The highest CER as of September 2014 is at 372.5 percent, while the lowest is at 33.67 percent.
Basic data source: SHFC Localized Community Mortgage Program Department database

association are not performing their duties; (2) the officers are not trusted by the MBs; (3) elections are no longer conducted; (3) members do not have a broad knowledge about the CMP; (4) syndicates have infiltrated the community, creating problems in the CMP projects; and (5) there are recalcitrant members in the community.

The SHFC's Remedial Group has selected those projects where the CAs have three years of arrears. Of the 117 projects endorsed to the group, the number was narrowed down to 60. The Remedial Group prioritized projects with the highest loan amounts. Another qualification for identifying projects was that these should have at least 80 percent of their original number of MBs willing to participate in the revival of the projects.[43] The "revival" of these communities required the SHFC to invest time and resources for community development for at least two years.

The remedial action so far has produced positive results. From 2010 to 2014, the Remedial Group rehabilitated 60 projects and collected PHP 55,485,681.27 out of the total loan value of PHP 269,861,793.32 (Annex 8). According to the group, these projects' CERs rose significantly after rehabilitation. This demonstrates that building social capital in CMP communities at the onset is key to a program's sustainability and

[43] But the SHFC has been flexible with this qualification; they actually consider projects with at least 50 percent CER. The replacement of original members who opt out of projects follows the same legal process as that of substitution cases.

success. Therefore, SHFC's involvement in community development at pretake-out stage is critical. It should not come in only at post take-out, when accounts have already become problematic.

The CAs also think that the decision on how to deal with recalcitrants must be handled by the SHFC, and not by the CA or the mobilizer. After all, CAs do not have the capacity to go through the legal process of eviction.

Community transformative scorecard

The transformative scorecard is a qualitative measure of a community's transformation or transformability based on the physical, sociocultural, economic, environmental, and institutional indicators of the community.[44] Each indicator consists of several dimensions that are rated based on self- or community assessment. For each dimension, a maximum score of 10 is assigned (1 being the lowest and 10 as the highest).

For this study, the physical, social, and institutional indicators were used to assess the level of transformability of the CMP and LCMP selected sites. The dimensions used for the physical environment indicators are the following: (1) availability of electric power and potable water, (2) availability of drainage system for surface water, (3) waste collection and disposal, (4) efficient movement of people and vehicles in the community, and (5) unobstructed pathways and link of community roads to arterial roads. Meanwhile, the dimensions for social and institutional indicators are the following: (1) neighborliness; (2) safety within the community; (3) governance of HOA in terms of transparency, conduct of election, and presence of community organizations; and (4) level of LGU support to the community.[45]

The selected CMP projects are those that have been existing for about 10 years such that improvements and social effects are already being felt or observed by the association's members.[46] The scoring was done by at least 10 non-officer MBs. All scores were added to get the

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[44] This tool was developed through the collaborative efforts of the following agencies: (1) School of Government, Ateneo University, (2) Institute of Educational Institution, (3) Transformative Urban Resettlements in Metro Manila, and (4) Informal Cities Dialogue.

[45] Annex 9 consists of photographs of the selected sites.

[46] The LCMP sites visited are relatively new (as all LCMP projects are). Fisherman's Village Zone II and St. Francis of Assisi I HOA, Inc. were both taken out in 2013.

average score for each dimension. The result of this exercise is presented in Table 18.

Of the eight CMP and LCMP sites selected, around four sites can be considered transformed communities (given the total score of 8 to 10). These communities mentioned major improvements in their physical environment, mobility, and community governance post take-out.

Communities with scores of 6 to 7 are not yet fully transformed. There is still a need to improve the physical environment (e.g., surface drainage) and mobility within the community. Community governance is also shaky with beginnings of discontent reflected in the scores. Unresolved issues on the land—i.e., the land is a forestland, making it unalienable, or is on top of a fault line—have led to a relatively low CER for Lunduyan HOA, Inc. Its unresolved land issues are also the reasons for the absence of a subdivision plan. Basic services such as electricity and water, nevertheless, are available because of the proximity of the HOA to the arterial road.

The two sites with scores of 5 and below—i.e., Sitio Fatima Kawayanan Parenthood HOA, Inc. and Villa Paraiso HOA, Inc.—have low transformability despite land regularization. In these two communities, a common problem is the absence of a road right-of-way. Both are accessible only by foot. However, Sitio Fatima Kawayanan Parenthood HOA, Inc. is just a few meters away from the local road. Meanwhile, Villa Paraiso HOA, Inc. is several meters away from the main road, and the pathway to the site is narrow as well as wet due to surface water and even gets flooded during heavy rains. Its supply of electricity and water is measured through bulk metering. Thus, whenever some households fail to pay their electric bills, the electric supply to the community is cut off.

Site visits also reveal that while some CAs may have an approved subdivision plan as well as subdivided titles, they fail to be fully transformed. At post take-out, the approved subdivision plan remains unimplemented in some cases. This finding underscores the need for SHFC to require that the approved subdivision plan be implemented at the outset or prior to the loan take-out.

It is important to note that improvements on and developments of physical structures in communities are mainly funded through grants—i.e., donations from LGUs and elected officials. The CAs' legal ownership of land has encouraged the inflow of public funds in these communities, which, in effect, can be considered as a government subsidy under the

Table 18. Community transformation of selected sites

Community Transformability Indicators	CMP Sites						LCMP Sites	
	Antipolo City, Rizal	Marikina City	Quezon City		Parañaque City		Silay City, Negros Occidental	
	VELS HOA	Tabing-Ilog, Nangka HOA	Lunduyan HOA, Inc.	Virgilio Delos Santos HOA, Inc.	Sitio Fatima Kawayanan Parenthood HOA, Inc.	Villa Paraiso HOA, Inc.	Fisherman's Village Zone II	St. Francis of Assisi HOA
Physical environment	9.79	9.17	7.58	9.33	5.78	3.11	7.51	6.28
Mobility and access	8.82	8.11	6.58	8.63	4.35	1.00	8.18	6.83
Social network and safety	9.09	8.55	7.41	9.11	5.19	5.00	7.95	6.50
Community governance	8.11	8.44	6.78	9.27	5.39	-	8.15	6.25
LGU/Institutional integration	4.45	7.78	5.58	9.53	5.62	1.33	8.27	6.67
Average	8.50	8.53	6.96	9.17	5.32	2.74	7.97	6.43
Qualitative scoring	Good	Good	Satisfactory	Good	Poor	Poor	Good	Satisfactory

Notes:
(1) CER of Silay City sites: As of September 2014
(2) Villa Paraiso HOA - Scoring based on the assessment of observers
(3) Subtotal of Group Indicator computed as: Total Score/Number of Responses
(4) Transformability indicators:
(a) Physical environment: availability of electric power and potable water, drainage system, and waste and collection disposal
(b) Mobility and access: efficiency in movement of people in the community, and unobstructed pathways and connection of the community to local roads
(c) Social network and safety neighborliness, and safety within the community
(d) Community governance: election, transparency and feedback from HOA officers, opportunity to give comments on the performance of the HOA officers, and presence of community activities (e.g., youth and women organization)
(e) LGU/Institutional integration: LGU support on the community
(5) Qualitative scoring: 8–10 = Good; 6–7: Satisfactory; 5 below = Poor
Source: Based on the observation of enumerators of physical aspects of community and responses of beneficiaries in the scorecard (translated to Filipino) during the focus group discussions conducted by the authors. See Annex 10 for the average scores on all transformability indicator items included in the scorecard.

CMP. The LGUs' support, however, is also tied to CAs' subdivision plans (i.e., LGUs cannot pave roads if the property development within the community is haphazardly planned) and community cohesion.

Cost of program administration

Government subsidy to the SHFC is utilized mainly to capitalize its loan fund. Corporate operations are funded from income generated on loans, savings, fees, and other services. About 50 percent of the generated income is from interest income on loans. Based on SHFC's financial projections, the current portfolio level and CER of 85 percent can sustain the operations of the agency. However, this financial standing is at risk since more than 50 percent of the individual loan accounts are past due. In the long term, the SHFC has to improve its operational efficiency and to ensure that the current corporate CER is sustained.

The SHFC's operational expenses on the CMP for the past five years (2010–2014) show an average cost of PHP 0.47 per peso of loan generated (Table 19). In terms of accounts, the SHFC spends an average of about PHP 27,700 to service the lot acquisition loans of each borrower or CA. Meanwhile, the HDMF cost per peso of loan is at PHP 0.33 for the period in review.

From a financial view, HDMF is more efficient as a financial intermediary as it is organized to handle the risks associated with financing operations. Meanwhile, SHFC is not fully organized as a financial intermediary; it depends on external, rather than in-house, capacities.

Table 19. Comparative cost ratios (cost per loan granted)

Year	CMP	HDMF
2010	0.55	0.28
2011	0.27	0.34
2012	0.65	0.28
2013	0.43	0.41
2014	0.43	0.33
Average	0.47	0.33

Basic data: SHFC Annual Reports and HDMF Financial Report, Annual Audit Reports, and Accomplishment Reports
Notes:
Computation of cost ratios:
(1) SHFC: Total Corporation Cost/ Total Amount of Approved Loan (CMP)
(2) HDMF: Total Expenses/Total Amount of Housing Loans Granted
(see Annex 11 for the actual computation)
Source: Authors' estimates

The SHFC has to assess the CMP's performance in terms of its development objectives rather than its profitability. In other words, the CMP's success must be measured in terms of the number of transformed ISF communities. Fund leveraging comes as a result of transformed lives and engagement of more LGUs in developing model ISF communities, instead of traditional financial instruments.

Conclusions and Recommendations

The CMP remains a relevant program for ISFs in the country. However, the program has to operate within its primary objective of providing ISFs—the poor and low-income households—with secure tenure and better housing communities than merely financing. This implies that its major output has to be measured in terms of ISF communities targeted and ISF communities transformed. To improve its results, the SHFC has to change its service delivery and financing strategy.

In particular, the CMP's current delivery mechanisms exclude the poor from participation. First, the increasing cost of land in the city and the maximum limit on loanable amount per household have an impact on the poor's capability to be part of the program. That is, poor households may not be able to raise the required equity and, as a consequence, exclude themselves from the community.

Second, the program allows nonresident households to join CAs for both on-site and off-site communities. In on-site projects, 15 percent of CA members can be nonresidents of the community. Meanwhile in off-site projects, 70 percent of CA members can be households that lived elsewhere. Since the decision to include/exclude households is made primarily by CA officers, there is a high probability of including households that are not the CMP's target beneficiaries.

Third, the SHFC also bestows CAs the responsibility to substitute beneficiaries based on nonpayment of amortizations, waivers, etc. Substitution has helped improve CERs of CMP projects and prevent foreclosures through litigation. However, one should be aware that it could be the poor—the program's target beneficiaries —who are defaulting in payments and being substituted in the process. Moreover, substitution requires "new" members to update the loan and pay the arrearages, but it is unlikely for poor households-substitutes to be the ones capable of raising the funds.

The possible leakages from the above CMP processes require the SHFC to be proactive in targeting communities and households. In general, the SHFC has been passive in targeting potential communities for the CMP as it mainly relies on mobilizers. Given its limited funds and primary mandate, the SHFC should prioritize communities where the CMP can bring the most impact (e.g., poorer/congested settlements, large ISF settlements). The SHFC should invest in developing a database that includes a profile of informal settlements in the country.

Also, SHFC should implement a subsidy mechanism that will protect the poor and near-poor from being dislodged from the program and ensure that the poor and vulnerable families are not put at a disadvantage. It should come up with different modes of public-private arrangements that can help mobilize land for informal settlers and explore alternative modes of land acquisition, financing, and formalization of households' rights.

The CMP's slow loan approval process remains an issue against the program. In general, the constraints—such as land issues on ownership and site feasibility, tax exemption implementation, and community readiness—have been noted to be outside the control of the SHFC. However, the SHFC needs to have a facilitative role, not necessarily to improve lending performance but to have more effective property rights reforms.

The interventions that can facilitate the process are the following:

(1) The SHFC's technical team should institutionalize links with critical offices of the DENR to assess site feasibility for housing settlement. Site feasibility is critical to community development and community ownership. Problematic sites should not be funded. Instead, SHFC should take a proactive role in relocating communities.

(2) In accrediting mobilizers, the SHFC should include among its criteria, aside from a high CER, the mobilizers' track record in community development and in strengthening social capital in communities.

(3) Prior to approving any take-out loans, the SHFC must have clear guidelines or actions on recalcitrant households and should not rely entirely on CAs to resolve community-related issues. This shall benefit SHFC in the long run since these interventions tend to minimize potential factions within the CA. The keyword is proactive: SHFC should not only come in to intervene when accounts have already turned problematic.

The CMP has addressed only one aspect of adequate shelter, which is lot acquisition. The expected transformation of CMP communities into safe and habitable ones has not been seen in all CMP projects. The average effects cannot be ascertained since this study mainly relied on case studies and key informant interviews. Nevertheless, it can already be concluded that the program's tendency to focus more on financing and land ownership has created difficulties in the physical improvement of the sites in the later stage of the project.

Some CMP projects have been approved without any road right-of-way and approved subdivision plans, for instance. Although such situations can be mitigated in the next phase of the program, the SHFC's tendency to be flexible in the implementation of requirements has been counterproductive. That is, long after the take-out is done, any construction of road right-of-way may take a long time to happen or not happen at all. Either of these scenarios may lead MBs to perceive the program as a failure.

Likewise, some LGUs reported their difficulty in implementing subdivision plans in many CMP sites after land regularization because of some MBs' refusal to agree to a reblocking (which usually leads to a reduction in the occupied space or a transfer to another lot). Over time, factions in the communities arise and the community leadership is weakened. Consequently, the capacity to undertake subdivision improvements is compromised. While the SHFC has recognized the problem, it has not yet strictly implemented the requirement on subdivision plans and other relevant ruling on the issue.

The expansion of the CMP to other community-based programs, such as the HDHP, is a welcome development. The HDHP, which is currently on its pilot stage, is ideal in highly urbanized cities that are congested and with ISFs living in danger zones. However, the issue of affordability will be magnified in the HDHP since the loan includes the full cost of housing (i.e., land, site development, and housing construction). Many households may not be able to afford a loan and in the process, just like the regular CMP, the HDHP could inadvertedly exclude the poor households from participating. Moreover, the HDH strategy needs to be backed by professional estate management to prevent the deterioration of projects into vertical slums.

Overall, SHFC should work toward a transformative community approach instead of a purely property rights reform. The community approach will have multiplier effects in terms of funding and will effectively help increase affordable housing since better CMP communities will also provide shelter to other lower-income households through rental arrangements.

Annexes

Annex 1. CMP projects for site visits

City	Project	Performance	Collection Efficiency Rate (%)	Mobilizer	Take-out Date
Antipolo	Vels Home HOA, Inc.	High	169.0773	LGU - Antipolo City	12/29/05
	N/A*				
Quezon	Virgilio Delos Santos HOA, Inc.	High	93.6219	LGU - Quezon City	09/20/06
	Lunduyan HOA, Inc.	High	66.5771	LGU - Quezon City	12/19/05
Marikina	Tabing-Ilog Nangka HOA, Inc.	High	117.7648	Foundation for the Deve-lopment of the Urban Poor	04/19/02
	N/A**				
Parañaque	Sitio Fatima Kawayanan Parenthood HOA, Inc.	High	85.221	Holy Ground Philippines Foundation, Inc.	12/09/02
	Villa Paraiso HOA, Inc.	Low	63.8217	Palanyag Leadership Institute for Development Foundation, Inc. (PLID)	05/19/04

* The selected low-performing CA in Antipolo City could not be located; thus, the team conducted a site visit and focus group discussion only in one site for that particular city.
** The lowest collection efficiency rate in the criteria-based group of CAs in Marikina City is 91.01 percent; thus, no low-performing CA was selected for this city.
Source: Data taken from the SHFC

Annex 2. Site visits

Silay City (April 14–15, 2015):

Fisherman's Village Zone II (FGD with some MBs)

Location: Silay-Mambulac Road, Brgy. Mambulac, Silay City

Mobilizer: LGU - Silay City

No. of ISFs assisted: 60

Total loan amount (PHP): 1,767,779.53

Take-out date: February 28, 2013

CER (as of September 2014): 229.02%

St. Francis of Assisi I HOA (FGD with some MBs)

Location: Sitio Berano, Brgy. Llantad, Silay City, Negros Occidental

Mobilizer: LGU - Silay City

No. of ISFs Assisted: 185

Total Loan Amount (PHP): 6,505,847.98

Take-out date: October 31, 2013

CER (as of September 2014): 72.53%

Antipolo City (April 21, 2015):

VELS Home HOA, Inc. (FGD with some MBs)

Location: Sitio Biong, Brgy. San Luis, Antipolo City

Mobilizer: LGU - Antipolo City

No. of ISFs assisted: 268

Total loan amount (PHP): 6,793,355.4

Take-out date: December 29, 2005

CER (latest 12 months, January to December 2014): 169.0773%

Valenzuela City (April 29, 2015):

Alyansa ng mga Mamamayan ng Valenzuela Housing Cooperative (FGD with officers and some MBs)

Location: Sitio La Mesa, Brgy. Ugong, Valenzuela City

CSO: Kilos Maralita

No. of ISFs assisted: 1,440

Board approval date: December 27, 2013

Quezon City (April 29, 2015):

Ernestville HOA I (FGD with officers and some MBs)

Location: Nenita Extension, Barangay Gulod, Novaliches, Quezon City

CSO: Foundation for the Development of the Urban Poor

No. of ISFs assisted: 212

Board approval date: February 28, 2013

Marikina City (April 30, 2015):

Tabing-Ilog Nangka HOA, Inc. (FGD with some MBs)

Location: Brgy. Parang, Marikina City

Annex 2. (continued)

Mobilizer: Foundation for the Development of the Urban Poor

No. of ISFs assisted: 198

Total loan amount (PHP): 9,956,838.67

Take-out date: April 19, 2002

CER (latest 12 months, January to December 2014): 117.7648%

Quezon City (May 4, 2015):

Lunduyan HOA, Inc. (FGD with some MBs)

Location: Sitio Lunduyan, Talanay, Batasan Hills, Quezon City

Mobilizer: LGU - Quezon City

No. of ISFs assisted: 199

Total loan amount (PHP): 12,665,654

Take-out date: December 19, 2005

CER (latest 12 months, January to December 2014): 66.5771%

Virgilio Delos Santos HOA, Inc. (FGD with some MBs)

Location: Purok 4 B Luzon Ave., Congressional Road, Brgy. Culiat, Tandang Sora, Q.C.

Mobilizer: LGU - Quezon City

No. of ISFs assisted: 201

Total loan amount (PHP): 15,496,920

Take-out date: September 20, 2006

CER (latest 12 months, January to December 2014): 93.6219%

Parañaque City (May 5, 2015):

Sitio Fatima Kawayanan Parenthood HOA, Inc. (FGD with some MBs)

Location: Brgy. Marcelo Green, Parañaque

Mobilizer: Holy Ground Philippines Foundation, Inc.

No. of ISFs assisted: 147

Total loan amount (PHP): 4,317,490.5

Take-out date: December 9, 2002

CER (latest 12 months, January to December 2014): 85.221%

Villa Paraiso HOA, Inc. (Key informant interviews with HOA president of Carrion Property)

Location: Villa Paraiso, Brgy. Sun Valley, Parañaque City

Mobilizer: Palanyag Leadership Institute for Development Foundation, Inc. (PLID)

No. of ISFs assisted: 190

Total loan amount (PHP): 7,440,750

Take-out date: May 19, 2004

CER (latest 12 months, January to December 2014): 63.8217%

Source: SHFC

Annex 3. Number of taken-out projects of partner-LGUs in the LCMP as of December 2014

Partner-LGUs	Number of Projects
LGU - Cadiz City	2
LGU - Island Garden	2
LGU - Los Baños	1
LGU - Mati City	5
LGU - Naga City	4
LGU - Panabo	3
LGU - Puerto Princesa City	1
LGU - Silay City	6
LGU - Talisay City	4
Total	28

Basic data source: SHFC Localized Community Mortgage Program Department database

Annex 4. Excerpt from Sections 2 and 3, Annex "A", Corporate Circular HDH No. 14-003, Series of 2014

II. Staggered Payment
A. First 50 Percent
1. Notarized Loan Agreement
2. Notarized Real Estate Mortgage
3. Promissory Note
4. SHFC Letter of Guaranty with signed Conforme
5. Landowner's Original Duplicate Copy
6. Notarized Deed of Absolute Sale
7. Notarized Deed of Assignment between the Community Association (CA) and Landowner
8. Latest Tax Declaration and Clearance
9. Latest General Information Sheet of CA
10. Latest General Information Sheet of Corporate Landowner
11. Landowner's Letter-Request for 50-percent Release of Loan
12. Two (2) valid Government-issued IDs of the Landowner/s and CA's representative/s
13. Certificate of Completion and Acceptance by community association
14. LGU's Warranty Undertaking stating that it will comply with their obligations under the Implementing Rules and Regulations and for necessary repairs of the structure of the subject property/ies

B. Final (50%)
1. Registry of Deeds (RD) certified copy of Real Estate Management (REM)
2. Original Duplicate Copy of Title in the name of the CA with annotation of REM
3. Tax declaration in the name of the CA
4. Collection Agreement
5. Lease/Purchase Agreement

III. Full Takeout
1. Notarized Loan Agreement
2. Promissory Note
3. SHFC Letter of Guarantee with signed Conforme
4. Original Duplicate Copy of Title in the name of the CA
5. RD certified copy of notarized Deed of Absolute Sale
6. Notarized Deed of Assignment between the Community Association (CA) and Landowner
7. Latest Tax Declaration and Clearance
8. Latest General Information Sheet of CA
9. Latest General Information Sheet for Corporate Landowner
10. Two (2) valid Government-issued IDs of the Landowner/s and the CA's representative/s
11. RD certified copy of REM
12. Tax Declaration in the name of the CA
13. Letter-request for full release of loan
14. Certificate of Completion and Occupancy by community association
15. LGU's Warranty Undertaking stating that it will comply with their obligations under the Implementing Rules and Regulations and for the necessary repairs of the structure of the subject property/ies

Notes:
(1) SHFC reserves the right to require additional requirement/s if deemed necessary.
(2) SHFC shall obtain all certified true copy of titles from Registry of Deeds by virture of Land Registration Authority and Home Development Mutual Fund arrangement.
Source: SHFC

Annex 5. Summary of taken-out projects, 1989–2014

	Year	Number of Projects	Number of Informal Settler Families Assisted	Total Loan Amount (PHP)
Under NHMFC	1989	16	3,199	62,442,738.22
	1990	83	12,440	235,696,386.55
	1991	43	5,772	121,000,800.35
	1992	48	4,923	129,882,537.49
	1993	107	10,139	241,950,097.35
	1994	93	11,690	283,474,318.44
	1995	84	9,290	285,724,295.85
	1996	92	10,192	308,406,579.04
	1997	115	14,591	497,300,485.59
	1998	88	10,844	385,470,640.06
	1999	41	5,668	209,191,621.20
	2000	37	6,088	196,458,622.37
	2001	73	9,457	347,533,897.01
	2002	97	12,331	485,471,922.56
	2003	109	14,026	616,574,774.18
	2004	105	14,129	595,523,598.86
Under SHFC	2005	111	12,699	623,443,144.76
	2006	113	13,733	737,393,754.86
	2007	139	11,819	625,882,842.49
	2008	92	9,169	513,001,904.70
	2009	124	10,021	561,109,408.82
	2010	71	7,121	396,746,006.56
	2011	171	15,875	982,052,458.49
	2012	100	9,287	548,695,240.29
	2013	123	12,537	765,529,416.16
	2014	128	13,120	817,152,250.66
	Total	2,403	270,160	11,573,109,742.91

Notes:
(1) Removed bridge financing items from the original data.
(2) NHMFC managed the CMP from 1989 to 2004.
(3) In 2005, SHFC became fully operational and managed the CMP.
Basic data source: SHFC Planning Department database.

Annex 6. General reasons for alternative compliances by activity during simultaneous evaluation

Activity	Conditions Why Alternative Compliances are Required	Reasons for the Alternative Compliances
Background Investigation	• Submission of MOA on sale is not possible	Serves as proof or reference on agreed terms of the sale
Loan Examination	• Submission of MOA on sale is not possible • Selling price is higher than loan entitlement or appraisal	Serves as proof or reference on: • agreed terms of the sale, and • whether CA has paid or willing to pay the equity.
Technical Examination	• No RROW* or access road • Need to clear structures not in accordance with subdivision plan within the CMP property (e.g., structures in easements, road lots, and house lots • Need to define actual CMP area (in cases of excluded lots or where project site is within a larger tract of land) • Discrepancy in the technical description on the title and subdivision plan • The whole or a portion of the CMP area is in a danger area (natural or manmade)	Serves to obligate CA to clear structures, do further community upgrading or disaster mitigating measures Serves as proof or reference on: • existence of RROW/access road; • suitability of land for housing • determining actual CMP area; and • existence of community-based Disaster Risk Reduction and Management plan and measures.
Mortgage Examination	• Land owner has died • Submission of Memorandum of Agreement on sale is not possible • Title has been burned or missing • Title has annotations (DAR, *lis pendens,* and mortgage)** • Verification of Special Power of Attorney	Serves as proof and reference on: • willingness of heirs to sell the land to CA; • agreed terms of the sale; • authenticity and accuracy of the title/s; • whether the annotations that encumber the sale are canceled; and • legality of the representative of CA and landowner to transact in the sale of the property.

* Road right of way
**A title can actually have several annotations (e.g., land covered by agrarian reform, *lis pendens*, mortgage, etc.).
Source: Ferido (2015)

Annex 7. Approved substitutions of take-out years from 1994 to present as of April 30, 2015

Region	Total Number of Projects	Total Number of Beneficiaries	Nature of Substitution: Waiver		Default		Assumption of Obligation		Others						As of March	For the month of April	Total to Date
				Restructuring		Restructuring		Restructuring	Denial of MRI Claim	Death of MB	Ejectment	Violation	Substitution of Lots	Generated Lot			
NCR	538	53965	5676	1043	1209	541	14	22	10	5	5	9	60	42	8616	20	8636
CAR	3	307	47	0	6	0	0	0	0	0	0	0	0	0	53	0	53
I	2	258	41	56	7	0	0	0	0	0	0	0	0	0	104	0	104
II	28	5145	282	98	147	444	0	0	0	0	0	0	0	2	973	0	973
III	33	6581	528	50	95	1	1	1	0	1	0	0	1	0	677	1	678
IV-A	128	19447	1262	242	341	130	5	2	0	0	1	3	2	0	1984	4	1988
IV-B	23	3232	414	44	86	0	4	0	0	0	0	0	0	0	548	0	548
V	17	3334	362	92	81	0	0	0	2	0	0	0	0	0	537	0	537
VI	45	5122	397	2	46	0	0	0	2	3	0	1	6	3	458	2	460
VII	33	2842	189	9	23	6	0	0	0	0	0	1	0	0	224	4	228
VIII	7	1459	37	3	25	15	0	0	0	0	0	0	0	0	80	0	80
IX	12	1717	177	0	4	0	0	0	0	1	0	0	2	0	184	0	184
X	8	993	24	0	21	0	0	0	1	0	0	0	0	1	47	0	47
XI	23	2835	159	15	103	0	0	0	1	0	0	0	0	1	279	0	279
XII	15	2605	102	23	79	21	0	0	0	0	0	0	0	0	223	2	225
Caraga	4	692	58	0	4	0	0	0	0	0	0	0	0	0	62	0	62
ARMM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	919	110534	9755	1677	2277	1158	24	25	16	10	6	14	71	49	15049	33	15082

Note: Clarifications on the last three columns were made with the SHFC Project Individualization Department.
Source: Data were taken from the SHFC Project Individualization Department database

Annex 8. Summary report on remedial activities

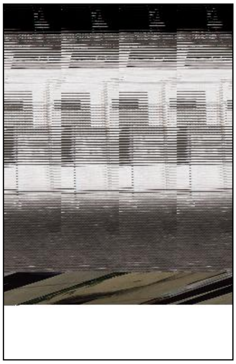
Year	Number of Projects/HOA Accounts Rehabilitated*	Loan Value (PHP)	Total Amount of Collection (PHP)
2010	17	61,901,253.64	1,716,741.31
2011	16	96,770,299.75	11,719,724.30
2012	16	71,864,134.78	13,929,443.92
2013	7	19,897,716.87	12,570,841.93
2014	4	19,428,388.28	15,548,929.81
Total	60	269,861,793.32	55,485,681.27

* These HOAs' rehabilitations are ongoing and awaiting approval of the In-House Remedial Restructuring Program by the management.
Source: Data taken from the SHFC Task Force on Remedial Accounts database

Annex 9. Photographs of the visited sites

All photographs were taken by the research team except that of the Lunduyan HOA, Inc., which was provided by the HOA.

Community Mortgage Program sites

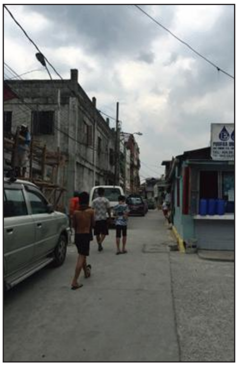


Vels Home HOA, Inc., Antipolo City

Pagkakaisang Maralita ng Antipolo HOA, Inc., Antipolo City

Tabing-Ilog Nangka HOA, Inc., Marikina City

Lunduyan HOA, Inc., Quezon City



Virgilio Delos Santos HOA, Inc.,
Quezon City

Sitio Fatima Kayawanan Parenthood
HOA, Inc., Parañaque City

Villa Paraiso HOA, Inc.,
Parañaque City

Localized Community Mortgage Program Sites

Fisherman's Village Zone II,
Silay City

St. Francis of Assisi I HOA,
Silay City

Annex 10. Community transformation of selected sites (with details of the rating for each indicator)

Community Transformability Indicators	Description	CMP Sites						LCMP Sites	
		Antipolo City, Rizal	Marikina City	Quezon City		Parañaque City		Silay City	
		VELS HOA	Tabing-Ilog, Nangka HOA	Lunduyan HOA, Inc.	Virgilio Delos Santos HOA, Inc.	Sitio Fatima Kawayanan Parenthood HOA, Inc.	Villa Paraiso HOA, Inc.	Fisherman's Village Zone II	St. Francis of Assisi HOA
Physical Environment	Availability of electric power and potable water	10.00	10.00	9.33	9.94	6.29	4.00	9.27	7.00
	Drainage system	9.45	7.50	7.58	9.13	4.14	2.67	6.00	3.42
	Waste collection and disposal	9.91	10.00	5.83	8.93	6.92	2.67	7.27	8.42
Subtotal		9.79	9.17	7.58	9.33	5.78	3.11	7.51	6.28
Mobility and Access	Efficient movement of people in the community	8.00	7.89	6.17	8.25	4.56	1.00	8.07	7.17
	Unobstructed pathways; connection of community to local roads	9.64	8.33	7.00	9.00	4.14	1.00	8.29	6.50
Subtotal		8.82	8.11	6.58	8.63	4.35	1.00	8.18	6.83
Social Network and Safety	Neighborliness	9.09	8.22	8.00	9.00	5.54	6.00	8.33	6.50
	Safety within community	9.09	8.88	6.82	9.21	4.83	4.00	7.57	6.50
Subtotal		9.09	8.55	7.41	9.11	5.19	5.00	7.95	6.50
Community Governance	Election	8.70	8.75	6.89	9.21	4.50		7.62	6.08
	Transparency and feedback from HOA officers	9.00	8.67	7.33	9.25	5.36		8.50	6.58

	Opportunity to give comments on the performance of the HOA officers	8.73	8.78	7.00	9.13	5.62		8.29	6.33
	Presence of community activities, youth and women organization	6.00	7.56	5.91	9.50	6.07		8.20	6.00
Subtotal		8.11	8.44	6.78	9.27	5.39	-	8.15	6.25
LGU/Institutional Integration	LGU support on the community	4.45	7.78	5.58	9.53	5.62	1.33	8.27	6.67
Subtotal		4.45	7.78	5.58	9.53	5.62	1.33	8.27	6.67
Total		8.50	8.53	6.96	9.17	5.32	2.74	7.97	6.43
Subdivision Plan		Approved	Approved	No approved subdivision plan yet (inferred)	Approved	Approved	No approved subdivision plan	Approved	Approved
Individualization of Titles		Individualized, but SHFC has not released all titles	Not Individualized	Not Individualized	Not Individualized	Individualized but SHFC has not released the titles	Not Individualized	Not Individualized	Not Individualized
Road right-of-way		✓	✓	✓	✓	x	x	✓	✓
Collection Efficiency Ratio % (Latest 12 Months, Jan–Dec 2014)		169.0773	117.7648	66.5771	93.6219	85.221	29.3002	229.02	72.5

Notes:
(1) CER of Silay City sites: As of September 2014
(2) Villa Paraiso HOA- Scoring based on the assessment of observers
(3) Subtotal of Group Indicator computed as: Total Score/Number of Respondents
Source: Based on the answers provided by the beneficiaries in the scorecard during the focus group discussions (English translation).

Annex 11. Computation for cost ratios

SHFC Total Corporation Cost to CMP-Approved Loans and Beneficiaries Assisted, 2010–2014

	2010	2011	2012	2013	2014
Total cost (PHP)	217,783,926	267,295,777	357,342,544	326,337,833	350,988,932
Total loan amount (PHP)	396,746,007	982,052,458	548,695,240	765,529,416	817,152,251
Number of beneficiaries assisted (Families)	7,121	15,875	9,287	12,537	13,120
Total cost/Value of approved loan	0.55	0.27	0.65	0.43	0.43
Total cost/Number of beneficiaries assisted	30,583.33	16,837.53	38,477.72	26,029.98	26,752.21

HDMF Total Corporation and Housing Loans Granted, 2010–2014

Total expenses (PHP)	11,294,095,000	12,837,777,000	12,002,034,000	14,071,000,000	13,713,000,000
Housing loans granted (PHP)	40,803,930,000	38,269,060,000	42,791,520,000	34,000,000,000	40,600,000,000
Total expenses/Loan granted	0.28	0.34	0.28	0.41	0.33

Sources:
(1) For SHFC (Community Mortgage Program):
Data on Cost-Statement of Income and Expenses - 2011 Annual Report (2011 data - unaudited)
Data on Loan Amount and Beneficiaries - Social Housing Finance Corporation database
(2) For HDMF (various years):
Data on Expenses - HDMF Annual Audit Reports
Data on Housing Loans Granted - HDMF Accomplishment Report/ Corporate Planning Department

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The Community Mortgage Program (CMP) is a financing scheme that enables organized residents of slums to borrow funds for land purchase and housing development. It is already considered to be the most innovative and responsive government housing program in the Philippines. Nevertheless, the CMP still has weaknesses that have not been given much attention during the years of its implementation. These issues pertain to program targeting, service delivery, and organization. This study aims to review the current processes and overall performance of the CMP, including its variants—the localized CMP and the High-Density Housing Program. The study also provides recommendations on how the identified issues can be addressed.

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