



MICRO HOUSING FINANCE THROUGH THE RURAL BANKS

COUNTRY REPORT PRESENTATION

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BACKGROUND

- During the celebration of the International Year of Microcredit held at the United Nation's Headquarters in New York City last 08 November 2005, the Philippines has been named the best at implementing microfinance programs to reduce poverty.
- The Philippines established the National Strategy for Microfinance, which served as a blueprint for easing credit access for the poor.

- The President has made microfinance a priority program of her administration because she recognized the importance of microfinance as an effective tool for economic development and poverty reduction.
- Government financial institutions have committed to reach at least 3 million new microfinance clients in 6 years or 500,000 clients every year up to 2010.



**PROPOSED
MICRO-HOUSING FINANCE
PROGRAM (MHFP)**

OBJECTIVES

- To provide the poor with access to credit specifically for:



- Design to capacitate the local government units in the following aspects:
 - implement their own housing projects
 - provide an integrated approach in solving their housing problems
 - set-up mechanics for a joint effort to implement micro housing projects for individual or group members with the rural banks nationwide



ADVANTAGES OF THE MICRO HOUSING FINANCE

- Loans are small and incremental designed to help the households build starter houses or extensions or improvements
- Loans are paid off quickly and new loans are extended to undertake further extensions of improvements
- It has a continuous capability building for the intended

TARGET CLIENTS

The target clients are the bottom 30% poorest of the poor who will qualify for a net loan of P150,000 as defined by the Bangko Sentral ng Pilipinas under the microfinance program.



LOAN AMOUNT

These are small loans ranging from P5,000 to P150,000 amortized over short term (the most is five years).

INTEREST RATE

The interest rate will be market based and the spread which is above the normal rate imposed on socialized housing projects of up to nine (9) percent compensates participating rural banks for the high fixed costs (relative to the small size of these loans) and the extra work that it assumes on implementing low income housing projects.

FUNDING

- Funding will come from existing programs/projects that are already implemented by the shelter agencies;
- Direct allocation from the President on priority programs/projects like the railway project;
- Rural banks as the conduit of the future ODA funds for housing; and
- Utilization of proclaimed lands to raise additional funds for housing.

GUARANTEES FOR PARTICIPATING RURAL BANKS

HUDCC will work out with the Bangko Sentral to issue banking policies that will further strengthen the Micro-Housing Finance Program specifically reducing barriers to access finance.

Other Incentives for the Participating Rural Banks:

- ✓ Exemption from income tax for micro housing loans;
- ✓ Authority to accept government deposits for government entities engaging rural banks in micro-housing finance;
- ✓ Compliance to the balanced housing requirements and agri-agra alternative compliance;

Cont... Other Incentives for the Participating Rural Banks:

- ✓ **Conduiting of ODA housing funds through Rural Banks;**
- ✓ **NHMFC/SHFC to buy the mortgages from rural banks; and**
- ✓ **Rural banks which have ROPOAs converted into micro housing projects will be exempted from capital gains and expanded value added tax**

Thank You!