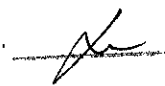


FOURTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SECRETARY  
AT 26 P:  
MAY VLD BY: 

SENATE  
PSR No. 419

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Introduced by Senator Loren Legarda

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**RESOLUTION**  
**URGING THE SENATE COMMITTEE ON URBAN PLANNING, HOUSING AND RESETTLEMENT TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE MASSIVE FORECLOSURE OF LOW COST AND SOCIALIZED REAL ESTATE MORTGAGES SOLD BY THE GOVERNMENT HOUSING FINANCE AGENCIES TO BALIKATAN HOUSING FINANCE, INC.**

*Whereas*, between 1988 and 1996, approximately 220,000 housing loans were originated by the National Home Mortgage Finance Corporation (NHMFC) through its Unified Home Lending Program or UHLP, which is established to meet the housing finance needs of members of public pension fund systems;

*Whereas*, in 1996, the NHMFC's collection levels dropped below 65% of scheduled payments. In the succeeding years, collections continued to decline, and by 2002, NHMFC's accrued loans reached 53 billion pesos;

*Whereas*, low repayment rates and huge amounts of uncollected loans, the long-standing problems of the government housing sector, prompted state-controlled housing finance agencies to dispose and restructure their loan portfolio with the cooperation of the private sector;

*Whereas*, Republic Act 9182, otherwise known as the *Special Purpose Vehicle Act of 2002*, in order to develop the securitization of loans in the country, allowed financial institutions to sell non-performing and acquired assets;

*Whereas*, in 2005, the NHMFC has sold its liabilities comprised of 53,000 individual loans by low- and middle-income housing units located within 500 housing subdivisions throughout the country valued at P13.45 billion to the Balikatan Housing Finance, Inc. (BHFI)- a special purpose company jointly owned by the NHMFC (49% share) and Deutsche Bank Real Estate Global Opportunities (DBGO) (51% share);

*Whereas*, the NHMFC said that it sold the properties to pay for loans extended by the Home Development Mutual Fund (HDMF) or Pag-IBIG, the Social Security System (SSS) and the Government Service Insurance System (GSIS);

*Whereas*, BHFI engaged Bahay Financial Services (BFS), an asset management and loan company, to implement its mortgage servicing activities;

*Whereas*, BFS, through its various loan resolution programs, provides delinquent housing loan borrowers with the opportunity to settle long outstanding obligations. As of 2007, the firm has reportedly either successfully turned around or is in active negotiation stage with 24 percent of the more than 52,000 BHFI accounts;

*Whereas*, the sale of NHMFC's non-performing assets allegedly affected small borrowers, whose loan payments are current yet have been demanded by BFS to immediately settle their obligations or face legal action;

*Whereas*, reports even point to the impending massive foreclosure of BHFI accounts, which were acquired from government housing agencies at discounted prices only to be resold at higher prices to the original beneficiaries;

*Whereas*, affected families have expressed fears of massive foreclosures of low-cost housing units in five residential areas in Davao City - San Lorenzo Village, El Rio, Rosalina, Kadayawan and Country Homes due to the stringent repayment terms, such as the payment of the full amount in arrears within three months or reappraisal of their outstanding loans to as much as three hundred percent (300%) of the original amount;

*Whereas*, the reported activities of the BFS, belonging to what the industry calls "vulture funds", whose main objective is to make a profit from reviving delinquent loans and selling off of foreclosed properties, including the BHFI socialized and low cost housing accounts, contradict the government's housing policy of loan restructuring and condonation;


*Whereas*, Section 9 Article XIII of the Constitution expressly mandates the State to undertake, in cooperation with the private sector, a continuing program of urban land reform and housing which will make available at affordable cost, decent housing to under-privileged and homeless citizens in urban centers and resettlement areas;

*Whereas*, considering the current economic situation, relief must be given to beneficiaries of government housing programs who have defaulted in their loan payments for them to retain their housing units;

*Whereas*, there is a need to investigate the activities of the Balikatan Housing Finance Inc. and the Bahay Financial Services to ensure that undertakings of the private sector with the government housing finance agencies are consistent with the State's housing policy of giving necessary support to the county's low-income housing sector;

**NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, by the Senate of the Philippines, to urge the Senate Committee on Urban Planning, Housing and Resettlement to inquire, in aid of legislation, into the massive foreclosure of socialized and low cost real estate mortgages sold by the government housing finance agencies to Balikatan Housing Finance, Inc.

Adopted,



**LOREN LEGARDA**  
Senator