

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



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SENATE

S. B. No. 2106

NOV 21 2018

INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

**AN ACT
ESTABLISHING A UNIFIED HOUSING AND URBAN DEVELOPMENT
FUND AND A CENTRALIZED HOME FINANCING PROGRAM, AMENDING
FOR THE PURPOSE REPUBLIC ACT NO. 7835, OTHERWISE KNOWN AS
THE "COMPREHENSIVE AND INTEGRATED SHELTER FINANCING ACT
(CISFA) OF 1994"**

EXPLANATORY NOTE

Article XIII, Section 9 of the 1987 Philippine Constitution provides that:

"The State shall, by law, and for the common good, 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 and basic services to under-privileged and homeless citizens in urban centers and resettlement areas. It shall also promote adequate employment opportunities to such citizens. In the implementation of such program the State shall respect the rights of small property owners."

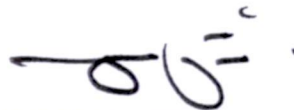
The proposed bill aims to amend Republic Act No. 7835, otherwise known as the Comprehensive and Integrated Shelter Financing Act (CISFA), specifically the establishment of a Unified Housing and Urban Development (HUD) Fund. The Unified HUD Fund shall be administered by the Housing and Urban Development Coordinating Council (HUDCC).

Moreover, the bill also intends to establish a Centralized Home Financing Program (CHFP). The CHFP will be administered jointly by the National Home

Mortgage Finance Corporation (NHMFC) and the Home Development Mutual Fund (HDMF) or the Pag-IBIG Fund. The CHFPP Fund shall be used exclusively for homebuyer financing. The program shall focus on socialized and low-income beneficiaries with funding and lending mechanism designed to ensure continuing viability, stability and sustainability.

Under this program, all income-earning citizens whether or not members of the SSS, GSIS or the Pag-IBIG Fund, who qualify as beneficiaries under the Urban Development and Housing Act (UDHA) and who have not previously availed of any housing assistance from any government institution shall be eligible to avail of a housing loan under the program.

In view of the foregoing, approval of this bill is earnestly sought.



JOSEPH VICTOR G. EJERCITO

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AN ACT
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(CISFA) OF 1994"

Be it enacted by the Senate and the House of Representatives of the Republic of the Philippines in Congress assembled:

1 **SECTION 1. Short Title** - This Act shall be known as the "**CISFA**
2 **Amendments of 2018.**"

3
4 **SECTION 2. Amendatory Provisions.** - For purposed of this Act, there are
5 hereby inserted four new sections after Section 11 of Republic Act No. 7835,
6 otherwise known as the "Comprehensive and Integrated Shelter Financing Act
7 of 1994," to be designated as Sections 12, 13, 14, and 15 to read as follows:

- 8
9 a) "Section 12. *Establishment of a Unified Housing and Urban Development*
10 *Fund.* - There is hereby established a Unified Housing and Urban
11 Development (HUD) Fund composed of all the funds enumerated in
12 Sections 10 and 11 of this Act, all funds identified under Republic Act No.
13 7279, otherwise known as the "Urban Development and Housing Act of

1 1992" and such other funds as may hereafter be made available for
2 housing and urban development purposes.

3
4 The Unified HUD Fund shall be administered by the Housing and Urban
5 Development Coordinating Council (HUDCC).

6
7 The mechanics of the und shall be formulated by the HUDCC, the
8 Department of Finance, the Department of Budget and Management and other
9 concerned agencies in accordance with pertinent policies and subject to
10 established auditing and accounting procedures.

11
12 No portion of the fund shall be used for administrative or operational cost
13 of HUDDCC or any of its attached corporations or agencies other than
14 fees and expenses as expressly authorized by this Act."

15
16 b) "Section 13. *Establishment of a Centralized Home Financing Program.* -

17 There is hereby established a Centralized Home Financing Program
18 (CHFP) to be administered jointly by the National Home Mortgage
19 Finance Corporation (NHMFC) and the Home Development Mutual Fund
20 (HDMF) or the Pag-IBIG Fund".

21
22 a) The initial funding for the CHFP shall be composed of investments by
23 the following for five (5) consecutive years from the effectivity of this Act:

24 1) One Hundred Billion Pesos (Php100,000,000,000.00) from the
25 unused portion of the agri-agra funds of banks, provided for under
26 Section 11 (b) of RA 7835;

27
28 2) Twenty-Five Billion Pesos (Php25,000,000,000.00) from the Social
29 Security System (SSS) pursuant to its Charter;

1 previously availed of any housing assistance from any
2 government institution shall be eligible to avail of a housing loan
3 under the program, subject to the appropriate credit standards by
4 the Pag-IBIG fund.

5
6 The Pag-IBIG is hereby empowered to appoint employers.
7 whether from the public sector or private, to act as collecting
8 agent for the mandatory deduction of monthly housing loan
9 amortization payments in two (2) instalments from the salaries of
10 their employees each month.

11
12 Failure of any person to comply with this provision resulting from
13 willful neglect, or failure to account for and remit such amounts
14 collected for the purpose stated in this provision in the dates
15 prescribed on behalf of the homebuyer shall merit penalties as
16 may be prescribed by law.

- 17
18 c) Upon the effectivity of this Act, all direct home lending operations
19 of the SSS, GSIS and the Pag-IBIG Fund shall cease and will be
20 fully undertaken under the program.
- 21
22 d) Within thirty (30) days from effectivity of this Act, the banks, the
23 SSS and the GSIS shall turn-over to the Pag-IBIG Fund their
24 respective contributions in exchange for the Pag-IBIG Fund
25 bonds, promissory notes and/or other similar instruments with
26 maturities of not less than five (5) years and fully guarantees by
27 the Home Guaranty Corporation (HGC) as to principal and
28 interest.

- 1 e) The HUDCC, the Bangko Sentral ng Pilipinas (BSP), Department
2 of Finance (DOF), NHMFC and the Pag-IBIG Fund, in coordination
3 with the Bankers' Association of the Philippines (BAP), shall devise
4 the appropriate mechanics or instruments, or both, to
5 immediately effect the provisions of this section.
6
- 7 f) The CHFP Fund shall be used exclusively for homebuyer financing,
8 and no part of the fund shall be used for developer's financing or
9 for administrative or operating expenses of the implementing
10 agencies other than fees and expenses as expressly authorized
11 by this Act.
12
- 13 g) The Pag-IBIG Fund shall create a sinking fund to ensure
14 repayment of the maturing notes, bonds or similar instruments
15 issued pursuant herein, and all annual interest accruals thereof
16
- 17 h) Within fifteen (15) days from effectivity of this Act, the Pag-IBIG
18 Fund, in coordination with HUDCC, concerned agencies and
19 private sector organizations shall determine the program's lending
20 parameters which shall ensure the integrity and soundness of
21 housing loans, instill credit discipline, afford the highest loan
22 repayment rate, the strongest security position and the least risk
23 for the financing institutions, while at the same time providing the
24 beneficiaries with the most reasonably convenient manner of loan
25 availment at affordable rates and terms
26
- 27 i) For this purpose:

- 1 1. Loan origination shall utilize the contract-to-sell (CTS),
2 mortgage or any other appropriate lending instrument that
3 shall ensure the most effective loan repayment rate;
- 4 2. Instalment sales of house-and-lot packages residential
5 condominium units, and other similar housing packages under
6 a conditional deed of sale, contract to sell or other similar
7 devices which are intended for refinancing under the CHFP or
8 any of the government-managed and/or sponsored home
9 financing program, shall, in case of cancellation for non-
10 payment, be wholly exempt from the provisions of Republic
11 Act 6552;
- 12 3. The mortgage redemption period prescribed under
13 Commonwealth Act 142 is hereby reduced to three (3)
14 months; and
- 15 4. The Pag-IBIG Fund may impose a regular set of fees for loan
16 servicing and collection not exceeding one-fourth of one
17 percent (0.25%) per annum of the average outstanding
18 balance of total loans during the year."

19
20 d) "Section 15. *Implementation of the Securitization, Capital and Secondary*
21 *Market Operations Program (CHFP-Securitization)* - The CHFP
22 Securitization for the development of the secondary market for home
23 mortgages and other housing related receivables, conveyances and
24 financial instruments and the development/promotion of and investments
25 in new housing-related financial instruments and investment vehicles and
26 the capital markets thereof, to increase and sustain funds available for
27 housing and home development shall be implemented as follows:

- 28 1. The NHMFC shall be the lead implementing agency for the CHFP-
29 Securitization;

- 1 2. The NHMFC in coordination with the HUDCC, DOF, BSP, Pag-IBIG
2 Fund and HGC and other concerned agencies and private sector
3 organizations, shall formulate a program, the proceeds of which shall
4 accrue to the CHFP Fund;
- 5 3. The Pag-IBIG Fund, using the CHFP-Loans Program, shall provide on
6 a yearly basis quality housing loan receivables to serve as asset pool
7 for the securitization program.”

- 8
- 9 e) “The NHMFC, as the lead agency for the implementation of the CHFP-
10 Securitization Program, shall manage the whole securitization process
11 which includes the following activities determining the eligibility criteria
12 for the asset pool, defining the preliminary structure of the notes bonds
13 and/or instruments to be issued, third parties to be hired and
14 education/briefing of target investors for all the issues.
- 15
- 16 f) The Home Guaranty Corporation shall provide the necessary guarantees
17 as to the principal and the two percent (2%) interest for all the issues at
18 the lowest or minimum guaranty fee as mandated by the HGC Charter
- 19
- 20 g) NHMFC and CHFP-issued bonds, notes and securities shall be exempt
21 from the registration requirements under the Securities Regulation Law
22 in order to accelerate the issuance of its housing-related
23 securities/financial instruments and, thus, more reasonably provide the
24 necessary funds for housing development.
- 25
- 26 h) Transactions by banks involving the purchase and sale of housing bonds,
27 debentures and such other similar instruments shall be exempt from the
28 twenty percent (20% final tax on income, documentary stamps tax, gross
29 receipts tax, and value added tax

- 1
- 2 i) The investors yield or income from any socialized housing or economic
3 housing-related bond or asset-backed securities issued by NHMFC
4 directly or through a special-purpose entity under the Securitization Act
5 shall be exempt from income tax. Such issuances shall enjoy all the tax
6 exemptions granted under Republic Act No. 9627 or the Securitization
7 Act of 2004 pursuant to the State's policy of promoting the securitization
8 of mortgage and housing-related receivable of government housing
9 agencies, to generate investment and accelerate the growth of the
10 housing finance sector, especially for socialized and economic housing.
11
- 12 j) Housing bonds and other similar instruments issued by NHMFC may be
13 applied as payment for taxes, duties, fees and other government charges
14 at their discounted value, for which purpose the BIR shall promulgate the
15 necessary implementing rules and regulations.
16
- 17 k) The amount invested by participating banks under this Program shall be
18 eligible as a substitute for reserve requirements pursuant to the Agri-
19 Agra Law, subject to the rules promulgated by the Bangko Sentral ng
20 Pilipinas.
21
- 22 l) The amount invested by other participating financial institutions including
23 non-banks and insurance companies providing mortgage redemption
24 insurance or other life or non-life insurance to end-users and investors
25 shall be considered as a reserve eligible instrument, subject to the rules
26 promulgated by the Bangko Sentral ng Pilipinas and/or the Insurance
27 Commission, as may be applicable
28

1 m) Bonds purchased by private real estate developers shall be considered
2 eligible as an alternative compliance to the balanced housing requirement
3 under Sec 18 of RA 7279, as amended by RA10884, subject to the rules
4 promulgated by the Housing and Land Use Regulatory Board HLURB)

5
6 n) The NHMFC may impose a regular set of securitization fees not exceeding
7 one-fourth of one percent (0.25%) per annum of average balance of total
8 outstanding securities during the year.

9
10 o) Loans for housing purchases shall be provided to qualified homebuyers
11 for a fixed minimum term of thirty (30) years or shorter, at the option of
12 the homebuyer, under fixed interest rates with no re-pricing, as follows”

13 1) Loans for socialized housing packages composed of residential
14 subdivision units and residential medium-rise condominium units to
15 be sold at price ceilings herein set as being above P450,000 but not
16 more than P1,500,000 per unit, subject to review and updating by the
17 HUDCC within two (2) years from the effectivity of this Act and every
18 two (2) years thereafter as necessary pursuant to law based on
19 prevailing economic conditions, shall have a fixed interest rate of three
20 percent (3%) per annum, and

21 2) Loans for economic housing packages composed of residential
22 subdivision units and residential medium-rise condominium units to
23 be sold at price ceilings herein set as being above P1,500,000 but not
24 more than P3, 199,200 per unit, subject to periodic review and
25 updating by the HUDCC within two (2) years from the effectivity of
26 this Act and every two (2) years thereafter as necessary pursuant to
27 law based on prevailing economic conditions, shall have a fixed
28 interest rate of four percent (4%).”

1 Sections 12,13 14,15,16,17, and 18 are hereby re-numbered as Sections
2 13,14.15,16,17, and 18 respectively

3 **SECTION 3. *Implementing Rules and Regulations*** - Within sixty (60) days
4 from the effectivity of this Act, the HUDCC, in consultation with non-government
5 organizations and people's organizations involved in housing rights and urban
6 poor advocacy, as well as the private sector, shall formulate and promulgate
7 the rules and regulations necessary to implement the provisions of this Act.

8
9 **SECTION 4. *Separability Clause*** - If any provision or part of this Act shall
10 be declared invalid or unconstitutional, the remaining parts or provisions not
11 affected shall remain in full force and effect.

12
13 **SECTION 5. *Repealing Clause*** - All laws, decrees, executive orders,
14 issuances, rules and regulations or parts thereof inconsistent with the provisions
15 of this Act are hereby repealed or modified accordingly.

16
17 **SECTION 6. *Effectivity Clause*** - This Act shall take effect fifteen (15) days
18 after its publication in the Official Gazette or in at least two (2) newspapers of
19 general circulation.

Approved,