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REPUBLIC OF THE PHILIPPINES )  
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SENATE

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Introduced by SENATOR EDGARDO J. ANGARA

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**RESOLUTION**

**DIRECTING THE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS AND CURRENCIES, COMMITTEE ON TRADE AND COMMERCE, AND COMMITTEE ON ECONOMIC AFFAIRS TO CONDUCT A JOINT INQUIRY, IN AID OF LEGISLATION AND FOR PUBLIC INFORMATION AND GUIDANCE, ON THE CRISIS AFFECTING THE GLOBAL FINANCIAL MARKETS TRIGGERED BY THE UNITED STATES SUBPRIME MORTGAGE MARKET COLLAPSE AS WELL AS THE MEASURES THE GOVERNMENT HAS TAKEN TO MITIGATE AND/OR CUSHION CONSEQUENTIAL LOSSES TO THE FINANCIAL MARKETS AND THE PHILIPPINE ECONOMY AS A WHOLE AS A RESULT OF THE CRISIS.**

- WHEREAS,** The United States subprime mortgage market, which consists of loans to borrowers with high credit risk and the facilities that have evolved to service these loans, comprise 15-20% of the US mortgage market.
- WHEREAS,** Starting in late 2006, the US subprime mortgage industry entered into a meltdown due to a sharp increase in foreclosures causing more than 20 subprime mortgage lenders to shut down or file for bankruptcy including New Century Financial Corporation, formerly US' second biggest subprime lender.
- WHEREAS,** In March 2007, subprime delinquencies increased to 13.8% from 11.5% the previous year while foreclosures increased to 5.1% from 3.5%.
- WHEREAS,** The breakdown of said subprime lenders caused prices in the \$6.5 trillion mortgage backed securities market to collapse causing extensive impacts to the US housing industry and the economy all together.
- WHEREAS,** The US subprime meltdown has been blamed on several factors such as: 1) the predatory practices of subprime lenders; 2) lack of effective government oversight; 3) mortgage brokers steering borrowers to unaffordable loans; 4) appraisers inflating housing values; 5) Wall Street investors backing subprime mortgage securities without verifying the strength of the portfolios; and 6) borrowers over-stating their incomes on loan applications and entering into loan agreements they could not meet.

- WHEREAS,** On August 15, 2007, apprehensions about the subprime mortgage industry caused a severe drop in stocks across the Nasdaq and Dow Jones affecting majority of stock markets worldwide.
- WHEREAS,** In the Asia-Pacific region, share prices tumbled as well and government bond rates rose as investors dumped risky assets following a global credit squeeze, while central banks weighed in to calm jittery money markets or prop up their currencies.
- WHEREAS,** The peso and local shares prices likewise suffered because of wary foreign investors trying to keep one step ahead of any contagion resulting from the current subprime credit woes in the US.
- WHEREAS,** According to Merrill Lynch economist David Rosenberg, as a result of the subprime crisis, the US economy may be on the brink of its first consumer-led recession in nearly two decades pointing to several alarming signs: banks tightening consumer lending standards, auto sales slumping to a nine-year low and key retailers missing their sales and profit targets.
- WHEREAS** According to credit risk evaluator Standard and Poor's, Asian economies should weather any fallout from the current turmoil in global and financial stock markets sparked by the US subprime crisis having learned their lessons from the Asian financial crisis in 1997 and 1998 prompting them to improve their banking systems, rein in fiscal deficits, bring down external debts, build up foreign exchange reserves and improve their current account balances.
- WHEREAS,** Bangko Sentral ng Pilipinas governor Amando Tetangco and Finance secretary Margarito Teves said that losses on US home loans and the slump in global financial markets will have little effect on the Philippine economy and that sound macro-economic fundamentals will allow the peso and local stocks to recover.
- WHEREAS,** Despite assurances from the government that the US subprime mortgage crisis has minimal impact to our economy, the Philippines is still undeniably vulnerable to any movements in the global financial markets calling for the need to understand and comprehend the crisis affecting the US economy and to inform and guide the public regarding the US subprime mortgage industry crisis, the causes of the industry's collapse, its effects on other mortgage markets and non-mortgage lending industry and the possibility of having the same crisis affect our country.

**NOW BE RESOLVED, AS IT IS HEREBY RESOLVED,** To direct the Committee on Banks, Financial Institutions and Currencies, Committee on Trade and Commerce, and Committee on Economic Affairs to conduct a joint inquiry, in aid of legislation, on the crisis affecting the global financial markets triggered by the United States subprime mortgage market collapse as well as the measures the government has taken to mitigate and/or cushion consequential losses to the financial markets and the Philippine economy as a whole as a result of the crisis.

**BE IT FURTHER RESOLVED, AS IT IS HEREBY RESOLVED,** To direct the Committee on Banks, Financial Institutions and Currencies, Committee on Trade and Commerce, and Committee on Economic Affairs to invite the officials of the Bangko Sentral ng Pilipinas, Department of Finance, Philippine Stock Exchange and other concerned agencies to explain, for public information and guidance, the US subprime mortgage industry crisis, the causes of the industry's collapse, its effects on other mortgage markets and non-mortgage lending industry and the possibility of having the same crisis affect our country .

*Adopted,*

  
**EDGARDO J. ANGARA**  
Senator