

Amando M Tetangco, Jr: Housing microfinance in the Philippines

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the Housing Microfinance Product Launch, Manila, 15 May 2008.

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DBP SVP Brillo Reynes, HUDCC Assistant Secretary Celia Alba, fellow workers in government, representatives from the microfinance and the housing sectors, special guests, good morning. On behalf of the Monetary Board, I welcome all of you to the Bangko Sentral ng Pilipinas.

Today is a busy day for the microfinance sector. Earlier this morning, we launched the 2008 Microentrepreneur of the Year Awards to kick off our search for the country's outstanding microentrepreneurs.

Now, we are launching the housing microfinance product. This coming together of housing finance and microfinance has been cited by practitioners as a development breakthrough that combines the best practices and principles of microfinance with the peculiarities of housing finance.

Ladies and gentlemen. These two events underscore the holistic approach that we are adopting in addressing social and economic objectives through microfinance.

Housing as a shelter is a necessity. And as a sector, it has the potential to generate employment across its supplier groups and keep the economy growing. It is important therefore that we support it.

However, the housing sector has yet to reach its full potential. Housing backlog persists due to lack of available and affordable housing especially for those who are not members of pension funds.

With today's launching of housing microfinance, our 3 million entrepreneurial poor will have access to housing finance under this pioneering program.

This pioneering program started when Vice President Noli De Castro, concurrent chair of HUDCC led the crafting of this program with the Development Bank of the Philippines with assistance from Asian Development Bank's social housing and community development program – the Development of Poor Urban Communities Sector Project.

This was subsequently presented to the Bangko Sentral. After careful consideration, and bearing in mind its positive impact on the country's social and economic objectives, the Monetary Board approved housing microfinance products as a type of microfinance loan.

As approved, the maximum loanable amount for home improvement loans is 150,000 pesos, while the maximum for house construction and acquisition is 300,000 pesos.

The approval of the housing microfinance product as a type of microfinance loan is important as it will enjoy the same incentives as regular microfinance loans. Among others, housing microfinance does not require collateral and documentary requirements are much simpler. In other words, this housing microfinance addresses the usual barriers that the poor face in accessing housing finance.

There are also built-in incentives for creditor banks. For instance, housing microfinance loans are eligible as alternative compliance to mandatory credit allocation to agrarian reform and other agricultural credit. In addition, housing microfinance loans shall have an assigned risk-weight of as low as 0% (zero) when guaranteed by the Home Guarantee Corporation or a 50% risk-weight if it is not guaranteed.

Nevertheless, even as we work to promote housing microfinance, risk management features are embedded in the product design for banks follow. This includes the use of cash flow analysis to determine the clients' ability to pay and requiring a good track record as a microfinance client.

In this connection, the BSP entered into a Memorandum of Agreement with HUDCC last month to set the standards and criteria for the accreditation of banks that can go into housing microfinance. Under this MOA, banks that wish to participate in this particular housing microfinance should first be accredited by HUDCC and the DBP to confirm if they are following the features approved by the BSP.

Other banks that want to provide housing microfinance under a different scheme should get BSP's prior approval.

The ideal market for this product are microfinance clients who have proven their creditworthiness to their banks. With about three million active micro-borrowers, the market for housing microfinance looks promising indeed.

I am confident therefore that we will see a significant increase in affordable housing finance that caters to the needs of the poor in a sustainable and non-subsidized manner.

Let us therefore congratulate those who worked with dedication on this housing microfinance product that will empower microentrepreneurs to improve their quality of life and productivity through affordable housing.

On this happy note, I thank all of you for joining today's launching of the housing microfinance. Mabuhay ang microfinance housing program for the poor!

Maraming salamat sa inyong lahat.