

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session

House Bill No. 3541



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**Introduced by Representative MICAELA S. VIOLAGO**

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**EXPLANATORY NOTE**

Effective global development models prove that long-term and cheap sources of funds for housing remain an important key in government's provision of homes for its people.

However, our perennially-increasing housing backlog from 3.5 million in 2010 to 5.5million in 2016 and projected to reach 6.7 million dwelling units by the year 2022 at the current pace of production and housing-needs growth indicate that government efforts have fallen short in addressing our problematic housing situation – an issue that heavily impacts on the economic and social development of the nation.

This bill seeks to amend key provisions of Republic Act No. 7835 or the Comprehensive and Integrated Shelter Finance Act (CISFA) of 1994, to establish, among others, a secondary mortgage market system to make long-term and affordable financing for housing purposes finally accessible for the millions of qualified low-income earners in need of a home of their own even if they are not members of the Social Security System (SSS), Government Service Insurance System (GSIS) or the Pag-IBIG Fund.

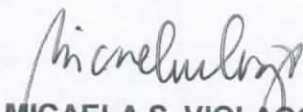
The bill further aims to establish a Centralized Home Financing Program (CHFP) that will be sourced out by tapping key fund sources that have already been identified by law: among them, RA 7835 or CISFA, RA8282 or the amended SSS Charter, RA 8291 or the amended GSIS Charter and RA9679 or the new Pag-IBIG Fund Charter.

The CHFP shall be designed exclusively for home financing assistance to individual home loan borrowers with no component for development financing. It shall likewise provide emphasis on socialized and low-income beneficiaries with funding

and lending mechanisms designed to ensure continuing viability, stability and sustainability.

In view of the foregoing, amendment to certain sections of the law is earnestly sought.

This bill has been filed in the 17<sup>th</sup> Congress by then Speaker Gloria Macapagal Arroyo and is being refiled by this representative with the earnest hope that approval of the same be given the highest priority it deserves.

  
**MICAELA S. VIOLAGO**  
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**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"**

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

**SECTION 1. Short Title.** - This Act shall be known as the "CISFA Amendments of  
2019".

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

a) "Section 12. *Establishment of a Unified Housing and Urban Development  
Fund.* - There is hereby established a Unified Housing and Urban Development  
(HUD) Fund composed of all the funds enumerated in Section 10 and 11 of this  
Act, all funds identified under Republic Act No. 7279, otherwise known as the  
"Urban Development and Housing Act of 1992", and such other funds as may  
hereafter be made available for housing and urban development purposes.

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

The mechanics of the fund shall be formulated by the HUDCC, the Department  
of Finance, the Department of Budget and Management and other concerned



agencies in accordance with pertinent policies and subject to established auditing and accounting procedures.

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

b) "Section 13. *Establishment of a Centralized Home Financing Program.* - There is hereby established a Centralized Home Financing Program (CHFP) to be administered jointly by the National Home Mortgage Finance Corporation (NHMFC) and the Home Development Mutual Fund (HDMF) or the "Pag-IBIG Fund".

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

1) One Hundred Billion Pesos (Php 100,000,000,000.00) from the unused portion of the agri-agra funds of banks, provided for under Section 11 (b) of RA 7835;

2) Twenty-five Billion Pesos (Php 25,000,000,000.00) from the Social Security System (SSS) pursuant to its Charter;

3) Twenty-five Billion Pesos (Php 25,000,000,000.00) from Government Service Insurance System (GSIS) pursuant to its Charter;

4) A minimum of Seventy Billion Pesos (Php 70,000,000,000.00) up to a maximum of seventy percent (70%) of the Pag-IBIG Fund's total investible funds which must be invested in housing pursuant to its Charter, whichever is higher;

5) An annual budgetary allocation of Fifty Billion Pesos (Php 50,000,000,000.00) which shall be allocated through the General Appropriations Act (GAA) for twenty (20) consecutive years commencing upon the year immediately succeeding the effectivity of this Act; and

6) such other funds as may be later generated pursuant to law.

b) The CHFP shall have two (2) components, namely:

1) CHFP-Loans Program, hereinafter referred as "CHFP Loans"; and

2) CHFP-Securitization, Capital and Secondary Market Operations Program, herein referred to as "CHFP-Securitization".

c) "Section 14. *Implementation of the CHFP - Loans Program.*"

a) The lead implementing agency for the CHFP-Loans Program shall be the Pag-IBIG Fund.

b) 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, subject to the appropriate credit standards by the Pag-IBIG fund.

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

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

c) Upon the effectivity of this Act, all direct home lending operations of the SSS, GSIS and the Pag-IBIG Fund shall cease and will be fully undertaken under the program.

d) Within thirty (30) days from effectivity of this Act, the banks, SSS and the GSIS shall turn-over to the Pag-IBIG Fund their respective contributions in exchange for the Pag-IBIG Fund bonds, promissory notes and/or other similar instruments with maturities of not less than five (5) years and fully guarantees by the Home Guaranty Corporation (HGC) as to principal and interest.

e) The HUDCC, the Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), NHMFC and the Pag-IBIG Fund, in coordination with the Bankers' Association of the Philippines (BAP), shall devise the appropriate mechanics or instruments, or both, to immediately effect the provisions of this section.

f) The CHFP Fund shall be used exclusively for homebuyer financing, and no part of the fund shall be used for developer's financing or for administrative or operating expenses of the implementing agencies other than fees and expenses as expressly authorized by this Act.



g) The Pag-IBIG Fund shall create a sinking fund to ensure repayment of the maturing notes, bonds or similar instruments issued pursuant herein, and all annual interest accruals thereof.

h) Within fifteen (15) days from effectivity of this Act, the Pag-IBIG Fund, in coordination with HUDCC, concerned agencies and private sector organizations shall determine the program's lending parameters which shall ensure the integrity and soundness of housing loans, instill credit discipline, afford the highest loan repayment rate, the strongest security position and the least risk for the financing institutions, while at the same time providing the beneficiaries with the most reasonably convenient manner of loan availment at affordable rates and terms.

i) For this purpose:

1. Loan origination shall utilize the contract-to-sell (CTS), mortgage or any other appropriate lending instrument that shall ensure the most effective loan repayment rate;

2. Instalment sales of house-and-lot packages residential condominium units, and other similar housing packages under a conditional deed of sale, contract to sell or other similar devices which are intended for refinancing under the CHFP or any of the government-managed and/or sponsored home financing program, shall, in case of cancellation for non-payment, be wholly exempt from the provisions of Republic Act 6552;

3. The mortgage redemption period prescribed under Commonwealth Act 142 is hereby reduced to three (3) months; and

4. The Pag-IBIG Fund may impose a regular set of fees for loan servicing and collection not exceeding one-fourth of one percent (0.25%) per annum of the average outstanding balance of total loans during the year.

d) "Section 15. *Implementation of the Securitization, Capital and Secondary Market Operations Program (CHFP-Securitization)*. - The CHFP Securitization for the development of the secondary market for home mortgages and other housing-related receivables, conveyances and financial instruments and the development/promotion of and investments in new housing-related financial instruments and investment vehicles and the capital markets thereof, to

increase and sustain funds available for housing and home development shall be implemented as follows:

- a) The NHMFC shall be the lead implementing agency for the CHFP-Securitization.
- b) The NHMFC, in coordination with the HUDCC, DOF, BSP, Pag-IBIG Fund and HGC and other concerned agencies and private sector organizations, shall formulate a program, the proceeds of which shall accrue to the CHFP Fund.
- c) The Pag-IBIG Fund, using the CHFP-Loans Program, shall provide on a yearly basis quality housing loan receivables to serve as asset pool for the securitization program.
- e) The NHMFC, as the lead agency for the implementation of the CHFP Securitization Program, shall manage the whole securitization process which includes the following activities: determining the eligibility criteria for the asset pool; defining the preliminary structure of the notes, bonds and/or instruments to be issued; third parties to be hired, and education/briefing of target investors for all the issues.
- f) The Home Guaranty Corporation shall provide the necessary guarantees as to the principal and the two percent (2%) interest for all the issues at the lowest or minimum guaranty fee as mandated by the HGC Charter.
- g) NHMFC and CHFP-issued bonds, notes and securities shall be exempt from the registration requirements under the Securities Regulation Law in order to accelerate the issuance of its housing-related securities/financial instruments and, thus, more reasonably provide the necessary funds for housing development.
- h) Transactions by banks involving the purchase and sale of housing bonds, debentures and such other similar instruments shall be exempt from the twenty percent (20%) final tax on income, documentary stamps tax, gross receipts tax, and value added tax;
- i) The investors' yield or income from any socialized housing or economic housing-related bond or asset-backed securities issued by NHMFC directly or through a special-purpose entity under the Securitization Act shall be exempt from income tax. Such issuances shall enjoy all the tax exemptions granted under Republic Act No. 9627 or the Securitization Act of 2004 pursuant to the State's policy of promoting the securitization of mortgage and housing related receivable of government housing agencies, to generate investment and



accelerate the growth of the housing finance sector, especially for socialized and economic housing.

j) Housing bonds and other similar instruments issued by NHMFC may be applied as payment for taxes, duties, fees and other government charges at their discounted value, for which purpose the BIR shall promulgate the necessary implementing rules and regulations.

k) The amount invested by participating banks under this Program shall be eligible as a substitute for reserve requirements pursuant to the Agri-Agra Law, subject to the rules promulgated by the Bangko Sentral ng Pilipinas.

l) The amount invested by other participating financial institutions including non-banks and insurance companies providing mortgage redemption insurance or other life or non-life insurance to end-users and investors shall be considered as a reserve eligible instrument, subject to the rules promulgated by the Bangko Sentral ng Pilipinas and/or the Insurance Commission, as may be applicable.

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

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

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

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

- 2) Loans for economic housing packages composed of residential subdivision units and residential medium-rise condominium units to be sold at price ceilings herein set as being above P1,500,000 but not more than P3,199,200 per unit, subject to periodic review and updating by the



HUDCC within two (2) years from the effectivity of this Act and every two (2) years thereafter as necessary pursuant to law based on prevailing economic conditions, shall have a fixed interest rate of four percent (4%)

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

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

**Sec. 4. *Separability Clause.*** - If, for any reason, any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue to be in force and effect.

**Sec. 5. *Repealing Clause.*** - All laws, decrees, executive orders, proclamations and administrative regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

**Sec. 6. *Effectivity.*** This Act shall take effect fifteen (15) days after its publication in at least two (2) national papers of general circulation.

***Approved,***