

[REPUBLIC ACT NO. 7835, December 16, 1994]

AN ACT PROVIDING FOR A COMPREHENSIVE AND INTEGRATED SHELTER AND URBAN DEVELOPMENT FINANCING PROGRAM BY INCREASING AND REGULARIZING THE YEARLY APPROPRIATION OF THE MAJOR COMPONENTS OF THE NATIONAL SHELTER PROGRAM, INCLUDING THE ABOT-KAYA PABAHAY FUND UNDER REPUBLIC ACT NO. 6846, AUGMENTING THE AUTHORIZED CAPITAL STOCK AND PAID-UP CAPITAL OF THE NATIONAL HOME MORTGAGE FINANCE CORPORATION (NHMFC) AND THE HOME INSURANCE AND GUARANTY CORPORATION (HIGC), IDENTIFYING OTHER SOURCES OF FUNDING AND APPROPRIATING FUNDS FOR THE PURPOSES

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

SECTION 1. *Title.* - This Act shall be known as the "Comprehensive and Integrated Shelter Financing Act of 1994."

SEC. 2. *Declaration of Policy.* - It is hereby declared a policy of 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 and basic services to underprivileged and homeless citizens in urban centers and resettlement areas.

In recognition of the role of housing as catalyst of economic growth and development, it is hereby declared a State policy to strengthen, promote and support the component activities of housing production and finance.

Sec. 3. *Statement of Objectives.* - Towards this end, the State shall:

- a. Ensure continuous funding support to vigorously implement the government's programs for urban and rural housing, resettlement, the development of sites and services, and the renewal of blighted areas;
- b. Enhance the capability of low-income groups to acquire decent and low-cost housing units through the introduction of support mechanisms and facilities which shall render affordable such acquisitions;
- c. Provide for a strong and sustainable housing finance program with complementary support systems, which will pump prime, build up and strengthen available sources of cheap and long-term capital;
- d. Increase the public and private sectors' participation in the investment of their funds into the mainstream of housing finance for developmental and end-user financing requirements of the National Shelter Program;

- e. Enjoin the active participation of the local government units in the socialized housing programs through adequate measures for housing development in their respective areas;
- f. Strengthen the capital base and optimize the resources of the National Government and the government's housing institutions towards a balanced, coordinated and integrated shelter delivery system;
- g. Serve the housing requirement of all the underprivileged and those gainfully employed but are not members of any funding agencies such as GSIS, SSS, and Pag-IBIG; and
- h. Focus the government's full financial, technical and manpower resources in addressing the shelter needs of the lowest thirty percent (30%) of the population and with the private sector's cooperation, the higher socioeconomic percentiles of our country's population.

SEC. 4. *National Shelter Program Implementation.* - Consistent with the aforementioned policy and objectives, the Housing and Urban Development Coordinating Council (HUDCC), through the respective agencies, shall intensify the implementation of the vital components of the National Shelter Program requiring government budgetary assistance as follows:

- a. *Resettlement Program.* This program shall involve land acquisition and site development by the National Housing Authority to generate serviced homelots for families displaced from sites earmarked for government infrastructure projects, those occupying danger areas such as waterways, esteros, railroad tracks and those qualified for relocation and resettlement assistance under Republic Act No. 7279. To sustain this program, the NHA shall engage in land banking activities to ensure availability of land.
- b. *Medium-Rise Public and Private Housing.* This shall entail the construction of medium-rise residential buildings by the government and/or private developers in all high-density urban areas of the country to maximize the utilization of scarce, highcost urban land, except in areas where there are existing arrangements on housing and/or land utilization prior to the effectivity of this Act. Low-income families and other beneficiaries as defined in Republic Act No. 7279 shall gain access to the program either through direct sale with homebuyers' financing assistance or through lease arrangement depending on the affordability of the intended beneficiaries.

Implementation of this program shall be carried out by the following agencies:

- 1. *The National Housing Authority (NHA).* The NHA is hereby mandated to formulate policies and guidelines pertinent to the implementation of the Medium-Rise Public and Private Housing Programs. It shall likewise take over portions of military lands in Metro Manila and other urban areas, except those previously identified and segregated for specific purposes pursuant to pertinent legal issuances for the development of Medium-Rise Housing. It is likewise mandated to formulate, adopt and promulgate systems that will enable the private sector to participate in the Medium-Rise Housing Program of the government to augment current rental housing stock;
- 2. *The National Home Mortgage Finance Corporation (NHMFC).* The NHMFC is hereby mandated to provide homebuyer's financing, to formulate and implement a schedule of amortization payments for the Medium-Rise

housing facilities and implement schemes that would ensure an effective and efficient recovery and collection of government investments in the program;

3. *The Local Government Unit (LGU) or the Public Estates Authority (PEA).*

Upon the completion of all public rental housing facilities constructed under this program, the LGU or the PEA shall assume the administration of the said facilities to include the implementation of the Estate Management Policies and to ensure the efficient and effective recovery and collection of rental and other fees due the government from the beneficiaries of the public housing program. It shall maintain the physical integrity of the public rental housing facilities including those of its immediate environs. The HUDCC, NHA and PEA are mandated to formulate the policies and guidelines, rules and regulations in the administration and management of the public rental housing facilities, in consultation with the LGU and the Presidential Commission for the Urban Poor; and

4. *The Presidential Commission for the Urban Poor (PCUP).* The PCUP is hereby mandated to coordinate with the NHA, and the concerned LGU or the PEA in the identification and processing of qualified beneficiaries of public rental housing facilities provided for in this Act. The PCUP shall likewise formulate and implement preoccupancy educational programs to enable the beneficiaries of the program to adapt to medium-rise living conditions, and shall organize them into homeowners associations which would ensure proper day-to-day maintenance of said facilities.

c. *Community Mortgage Program.* Under R. A. No. 7279, this program, through the National Home Mortgage Finance Corporation (NHMFC), shall assist organized community associations to acquire tenure and ownership of the land they are presently occupying adverse against the interests of landowners. Financing at very low interest rate is granted to beneficiaries to purchase the land as a whole and to improve the sites.

d. *Cost Recoverable Programs.* These programs shall involve the development of sites with housing component and the provision of serviced homelots through joint-venture schemes with the private sector or local government units. Program beneficiaries shall fully repay on installment basis the financial assistance granted for the purchase of the housing units.

e. *Local Housing.* To ensure the equitable distribution of housing benefits across the country, the NHA is hereby tasked to implement cost-recoverable socialized housing projects in selected urban and urbanizable areas in all congressional districts. Criteria for the selection of sites shall be formulated by the HUDCC and NHA pursuant to Republic Act No. 7279.

SEC. 5. *Trust Fund for the National Housing Authority.* - To enable the National Housing Authority to carry out the programs mandated under this Act, specifically the Medium-Rise Public and Private Housing and the Local Housing Programs, a Trust Fund to be managed and administered by the NHA is hereby created. The mechanics of said Trust Fund shall be formulated by the NHA, the Department of Finance, the Department of Budget and Management and other concerned agencies in accordance with pertinent policies and subject to auditing and accounting procedures of the Commission on Audit.

SEC. 6. *Capitalization of National Home Mortgage Finance Corporation (NHMFC).* -

The authorized capital stock of the NHMFC is hereby increased from Five hundred million pesos (P500,000,000) to Five billion five hundred million pesos (P5,500,000,000) to expand its leveraging capability based on the volume of mortgage loans being serviced, to improve its profitability by reducing the average cost of its funds made available for home-lending programs, and to enable the NHMFC to maintain the debt-to-equity ratio of 10:1. Thus, Section 3 of Presidential Decree No. 1267 is hereby amended to read as follows:

"Sec. 3. *Capitalization.* - The Corporation shall have an authorized capital stock of Five billion five hundred million pesos (P5,500,000,000) divided into five million five hundred thousand (5,500,000) shares of common stocks with a par value of One thousand pesos (P1,000) per share, to be fully subscribed and paid by the Government of the Republic of the Philippines."

"There shall be a continuing annual appropriation to be remitted to the Corporation starting from calendar year 1995, and subsequently thereafter until the entire authorized capital stock shall have been fully paid: *Provided, however,* That the National Government loan relent to the corporation in the amount of US\$76.73 Million under the World Bank Financed Housing Sector Project is hereby converted to equity."

SEC. 7. *Capitalization of Home Insurance Guaranty Corporation (HIGC).* - The authorized capital stock of the HIGC is hereby increased from One billion pesos (P1,000,000,000) to Two billion five hundred million pesos (P2,500,000,000) to strengthen the capability of the Corporation in the provision of guarantee, loan/credit insurance and other incentives to assist home building/development and to sustain housing finance: *Provided, however,* That the aggregate amount of the outstanding guaranty obligations shall not, at any one time, exceed twenty (20) times the capital and surplus of the HIGC.

Accordingly, Sections 3 and 5 of Executive Order No. 535 are hereby amended to read as follows:

"Sec. 3. The authorized capital of the Corporation shall be Two billion five hundred million pesos (P2,500,000,000), divided into two million five hundred thousand (2,500,000) shares of common stocks, with a par value of One thousand pesos (P1,000) per share to be fully subscribed and paid by the Government of the Republic of the Philippines."

"There shall be a continuing annual appropriation of at least Three hundred million pesos (P300,000,000) starting 1995 and subsequently thereafter until the entire authorized capital stock of the Corporation shall have been paid in full."

"Sec. 5. The Republic of the Philippines hereby guarantees to payment by the Corporation both of the principal sums and interests of the bonds, debentures, collateral, notes or other such obligations of the Corporation, issued or incurred by virtue of its Charter and this Executive Order and shall pay such principal sums and interest in the event that the Corporation fails to do so: *Provided, however,* That the aggregate amount of the outstanding obligations shall not, at any one time, exceed twenty (20) times the capital and surplus of the Corporation."