

REPUBLIC OF THE PHILIPPINES

CONGRESS OF THE PHILIPPINES

METRO MANILA

THIRD REGULAR SESSION

Begun and held in Metro Manila, on Monday, the twenty-fifth day of July, nineteen hundred and ninety-four

[REPUBLIC ACT NO. 7835]

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."

SECTION 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.

SECTION 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 resources of cheap and long-term capital;

- d. Increase the public and private sector's 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 house 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.

SECTION 4. National Shelter Program Implementation. - Consistent with the aforementioned policy and objectives, the Housing and Urban Development Coordinating Council, 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, high-cost 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 homebuyer's 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 portion 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. 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 the 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.

- a. **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.

SECTION 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 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.

SECTION 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 relented to the corporation in the amount of US\$76.73 Million under the World Bank Financed Housing Sector Project is hereby converted to equity."

SECTION 7. Capitalization of Home Insurance and 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.

In such event, the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures, collateral, notes or other instruments to the extent of the payments made, unless the sums so paid by the Republic of the Philippines shall be refunded by the Corporation within a reasonable time."

SECTION 8. Expanding the Scope and Usage of the Abot-Kaya Pabahay Fund. - To be more responsive to the need of enhancing affordability of low-income families to acquire housing and to provide a strong support system for the operation of a secondary mortgage market system by the NHMFC as a stable source of long-term funds for housing finance, the Abot-Kaya Pabahay Fund shall be made a continuing support system of the National Shelter Program, with its scope, usage and coverage accordingly expanded.

The existing total budgetary allocation of Two Billion Five Hundred Million Pesos (P2,500,000,000) of the Abot-Kaya Pabahay Fund under Republic Act No. 6846 shall be increased to Five Billion Five Hundred Million pesos (P5,500,000,000) and shall be appropriated until such time that the total funding required under this Act shall have been released.

- a. Additional One Hundred Million pesos (P100,000,000) annually to the cash flow guarantee to extend the Mortgage Insurance coverage for housing loans within the lowest interest loan package under the Unified Home Lending Program as a cushion against loan delinquency and ensure a viable cash flow for agencies extending housing loans.
- b. Annual allocation of Five Hundred Million pesos (P500,000,000) as liquidity and interest/subsidy support to the secondary mortgage market operation of NHMFC to serve as an alternative mechanism for sourcing housing funds, tapping in the process private and public long-term development funds.

The Abot-Kaya Pabahay Fund shall be allocated annually among its various components in the following amounts:

P300 Million - Cash flow guarantee;

P500 Million - Interest subsidy and liquidity support;

P200 Million - Amortization support; and

P100 Million - Development financing.

The Housing and Urban Development Coordinating Council (HUDCC) shall, from time to time, determine the income ceilings and the loanable amounts for both level (a) and (b) borrowers and the socialized/low-cost housing limit eligible for development financing.

The Abot-Kaya Pabahay Fund shall bear the cost of its administration and development in such amount and/or limits as the administering agencies shall deem appropriate, but not exceeding three percent (3%) of the net assets of the previous year. Expenses for organization and initial operation shall be provided by the administering agencies as advances, subject to reimbursement.

Section 3, paragraphs 1, 2, 3, and 4 and Section 7 of R.A. 6846 are hereby amended accordingly.

SECTION 9. Appropriations by the National Government. - The corresponding amounts specified hereunder shall be appropriated annually for a period of five (5) years or until such time that the total fund requirement provided for in this Act shall have been fully released specifically for the following programs:

- a. Five Billion and Two Hundred Million Pesos (P5,200,000) to finance the Resettlement Program under Section (a) of this Act;
- b. Three Billion Pesos (P3,000,000,000) as subsidy for land acquisition, construction and implementation of the Medium-Rise Public and Private Housing Program mandated under Section 4(b) of this Act;
- c. Twelve Billion Seven Hundred Eighty Million Pesos (P12,780,000) for the community mortgage program under Section 4(c) of this Act;
- d. Two Billion Five Hundred Forty-Two Million Pesos (P2,542,000,000) for the cost recoverable program under Section 4(d) of this Act; and
- e. Three Billion Pesos (P3,000,000,000) for the Local Housing Program under Section 4(e) of this Act.

There shall be a continuing annual appropriation in the total amount of not less than Five Billion Pesos (P5,000,000,000) starting from the fiscal year 1995 and every fiscal year thereafter until such time that the total funding requirement under this Act shall have been fully released: Provided, however, That any fund in excess of the total funding requirements under this Act that may be derived from any or all of the sources provided herein, shall be used to augment the NHA's Resettlement Program fund to cushion the impact of displacement arising from eviction and demolition as provided in Section 28 R.A. No. 7279, to wit:

- a. When persons or entities occupy danger areas such as esteros, railroad tracks, garbage dumps, river banks, shorelines, waterways, and other public places such as sidewalks, roads, parks and playgrounds;
- b. When government infrastructure projects with available funding are about to be implemented; or
- c. When there is a court order for eviction and demolition.

SECTION 10. Fund Sources – The National Government is hereby mandated to allocate and appropriate the necessary funds for the continuing requirements of this Act, including whatever funds which may be made available from, but not limited to, the following sources:

- A. Proceeds from documentary stamp tax: Provided, That Section 22(a) of Republic Act No. 7660 shall be amended to read as follows:

"SEC. 22. The incremental revenues from the increase in the documentary stamp taxes under this Act shall be set aside for the following purposes:

"(a) Twenty-five percent (25%) of the incremental revenues in 1994 and 1995 under this Act shall be automatically appropriated for the Unified Home Lending Program under Executive Order No. 90 particularly for mass-socialized housing to be allocated as follows: fifty percent (50%) for mass-socialized housing; thirty percent (30%) for the community mortgage program administered by the National Home Mortgage Finance Corporation; and twenty percent (20%) for land banking and development to be administered by the National Housing Authority: Provided, That not more than one percent (1%) of the respective allocations hereof shall be used for the administrative expenses: Provided, further, That incremental revenues not appropriated in 1994 and 1995 shall be carried over to succeeding years until allocations herein provided shall have been fully exhausted."

"xxx"

- B. Forty percent (40%) of the mandatory fifty percent (50%) share of the National Government from the annual aggregate gross earnings of the Philippine Amusement and Gaming Corporation (PAGCOR), as provided for in Section 12 of Presidential Decree No. 1869, beginning 1996.

(c) Twelve percent (12%) of all the proceeds of any sale, after reducing all expenses related to the sale, of portions of Metro Manila military camps shall be used to finance mass social housing projects for the underprivileged and homeless citizens of the country. Section 8 Republic Act No.7227, therefore, is hereby amended accordingly.

(d) All fund sources outlined in Republic Act No. 7279, not accruing to the local government units, to wit:

1. A minimum of fifty percent (50%) from the annual net income of the Public Estates Authority to be used by the National Housing Authority to carry out its program of land acquisition for resettlement purposes;
 2. Proceeds from ill-gotten wealth not otherwise previously set aside for any other purpose;
 3. Loans, grants, bequests and donations, whether local or foreign sources; and
 4. Proceeds from the sale or disposition of alienable public lands in urban areas.
- A. Proceeds from forfeited customs bonds; and
 - B. A maximum of fifty percent (50%) of savings from the budgeted amount for debt servicing

SECTION 11. Other Fund Sources. - The following non-budgetary funding sources shall be used to augment those mentioned in the preceding section in the implementation of a Comprehensive and Integrated Shelter and Urban Development Financing Program:

- a. Ten percent (10%) of the mandatory annual contributions by Philippine Charity Sweepstakes Office to the charity fund as provided for in Section 6 of R.A. No. 1169 shall be channeled to socialized and low-cost housing;
- b. All unused agri-agra allocation funds from banks in the preceding year shall be invested in socialized and low-cost housing: Provided, That the used agri-agra portion has been solely devoted to agricultural or agrarian reform credit; and
- c. The Bangko Sentral ng Pilipinas shall make available its rediscounting facilities to institutions or entities providing financing for socialized and low-cost housing in amounts and rates to be determined by the Monetary Board, taking into consideration the policy of the Estate as enunciated in this Act.

SECTION 12. Audit. - The Commission on Audit shall be the ex officio Auditor of all the funds provided for in this Act and is, accordingly, empowered to designate and appoint its representative(s) and other subordinate personnel to perform such necessary audit duties as the Commission shall direct. They shall be responsible to and shall only be removed by the Commission on Audit.

SECTION 13. Reports and Funding Program. - The National Shelter Agencies are hereby mandated to submit semi-annual reports of their operations, fund usage and performance to the Office of the President and Congress. They shall likewise submit to Congress their plans and funding programs for the succeeding year not later than the first quarter of the current year.

SECTION 14. Sunset Review. - As the need arises, the Congress shall conduct a sunset review of the accomplishments and impact of the National Shelter Program as well as the performance of its implementing agencies for purposes of determining whether or not the programs and the corresponding appropriations mentioned in this Act deserve to be continued based on a cost-benefit analysis thereof. If the result of the review is unfavorable to any program or its appropriate implementing program, then the Committee of Congress that has legislative jurisdiction over such entity shall not report favorably any bill or resolution which authorizes the enactment of a new budget authority on such entity.

For purposes of this Act, the term "sunset review" shall mean, with respect to any government program, a systematic evaluation by the committees of the Senate and House of Representatives which have legislative jurisdiction over such programs, with the assistance of appropriate agencies and congressional support agencies to determine the merits of the program, justify its continuation rather than termination or its continuation at a level less than, equal to, or greater than the existing level. Such review shall be undertaken in the scope and detail the committee

having jurisdiction deems appropriate and shall include, but not limited to, an assessment of the degree to which the original objective of the program has been achieved, of the problem it was intended to address, and the costs and benefits of the program.

SECTION 15. Implementing Rules and Regulations. - The HUDCC shall promulgate rules and regulations necessary for the implementation of this Act.

SECTION 16. Repeal. - All laws, decrees, executive orders, proclamations, rules and regulations and the issuances, or parts thereof which are inconsistent with the provision of this Act, are hereby repealed, amended or modified accordingly.

SECTION 17. Separability. - 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 full force and effect.

SECTION 18. Effectivity. - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) national newspaper of general circulation.

Approved,

(Sgd.) **EDGARDO J. ANGARA**
President of the Senate

(Sgd.) **JOSE DE VENECIS, JR.**
Speaker of the House of Representatives

This Act which is a consolidation of House Bill No. 11184 and Senate Bill No. 1677 was finally passed by the House of Representatives and the Senate on December 12, 1994 and December 8, 1994, respectively.

(Sgd.) **EDGARDO E. TUMANGAN**
Secretary of the Senate

(Sgd.) **CAMILO L. SABIO**
Secretary General

House of Representative

APPROVED

(Sgd.) **FIDEL V. RAMOS**
President of the Philippines