

Highlights of HGC Accomplishments for CY 2014

I. The Guaranty Operations

A key objective of the current Home Guaranty Corporation (HGC) Management is to expand the guaranty business to benefit more Filipino families in more places nationwide.

Marketing efforts of the Guaranty Group covered practically all regions nationwide in 2014. Orientation briefings on the benefits of the HGC Guaranty were conducted to more than 300 entities in 11 major conferences of rural banks, chamber of thrift banks, cooperative banks, and real estate organizations.

The efforts of the Guaranty Group paid off with accomplishments surpassing annual targets.

New Guaranty Enrollments

As of end of December 2014, new guaranty enrollments reached P55.742 billion or 161 percent of the P34.609 billion annual target. This is equivalent to 30,924 new housing loan units or 143 percent of the targeted 21,631 housing loan units.

The Guaranty Group's aggressive marketing campaign resulted to the strong demand for guaranty coverage this year. HGC's good financial performance helped in attracting new clients. The visibility of guaranty programs in conventions and housing events in the Metro and regional areas and HGC's image campaign via various media, likewise, contributed to the excellent performance of the Guaranty business.

Guaranty Renewal

Actual guaranty renewal reached P42.167 billion or 102 percent of the P41.281 billion target for the year. This translates to 46,741 housing loan units or 103 percent of the targeted 45,249 housing loan units.

To ensure renewal of currently enrolled accounts and convince clients to utilize existing guaranty lines, HGC continued implementing traditional strategies such as sending reminder letters to clients regarding their accounts due for renewal, conducting client

visits/calls, providing immediate response to queries and clarifications, and doing updates and road shows.

Guaranty Premium

HGC earned P804.34 million guaranty premium from new guaranty enrollments and renewal. This is equivalent to 111 percent of the P726.79 million target for 2014.

Outstanding Guaranty

As of end of December 2014, the outstanding guaranty stood at P97.251 billion or 107 percent of the P90.849 billion annual target. This covers 77,064 housing units or 85 percent of the 91,138 of the target.

II. Asset Disposition

The total number of housing/lot units sold was 323 or 41.20 percent of the 784 target for 2014. The sales value of the assets sold amounted to P129.74 million. This is 11.25 percent of the P1,153.65 million annual target.

Proceeds from the sale of acquired assets amounted to P125.41 million or 19.18 percent of the P653.75 million target.

Legitimizing the ownership of existing occupants of HGC-owned properties through the BLU Scheme

The Beneficial Land Use (BLU) Scheme was conceptualized to legitimize existing occupants' ownership of HGC-owned properties they occupy through a negotiated sale. The scheme adjusts the selling price, interests and penalties for more affordable payment terms to encourage undocumented occupants to enter into Contracts to Sell with HGC to legalize their tenure.

HGC implements the BLU Scheme to 11 projects with 2,513 family-beneficiaries. Three hundred sixty families already availed of the scheme.

Reconveyance and Turnover of Rural Bliss and Other Regional Projects to LGUs

HGC coordinates with Local Government Units (LGUs) to discuss possible reconveyance and turnover of the BLISS and other regional projects to them. This is in support of the thrust of the Honorable Vice President Jejomar C. Binay to assist the LGUs to redevelop and maximize the BLISS projects in their respective jurisdiction. LGUs submit resolutions approving the reconveyance and/or turnover of the BLISS projects on an “as-is, where-is” basis.

HGC is considering seven projects for this and expects to recover exposure on the housing units in partnership with the LGUs. The Management is also exploring and coordinating with the COA on the procedures for the write-off of all RB-1 projects.

III. Collection of Receivables

With a total collection of P277.91 million from 5,062 accounts, collection efficiency is at 88.46 percent as of end of December 2014. From the 3,345 delinquent accounts targeted for foreclosure and cancellation, 384 accounts made payments amounting to P18.44 million.

The following strategies were applied in ensuring current accounts remain current:

1. Close monitoring of current accounts. Proven as an effective strategy last year, current accounts are being closely monitored to prevent any delinquency or default in amortization payment. Statement of Account (SOA) of clients is sent to their registered address on a regular basis. They are also encouraged to avail of the online collection facility of Land Bank (LBP) to facilitate payments.
2. Monthly reminders to buyers/lessees. Clients are given calls before the due date of their payments.

HGC Accomplishments vs. Targets

as of 31 December 2014

| Programs/Projects (Performance Indicators) | 2014 Annual Target | Actual | % to 2014 Annual Target | |
|---|---|-----------|----------------------------|--------|
| GUARANTY OPERATIONS | | | | |
| News Guaranty Enrollment | | | | |
| 1. | Funds mobilized for housing (Mn Php) | 34,609 | 55,742 | 161 |
| 2. | Guaranty enrollment of new housing units | 21,631 | 30,924 | 143 |
| Renewal of Guaranty | | | | |
| 3. | Guaranty renewal (Mn Php) | 41,281 | 42,167 | 102 |
| 4. | No. of units covered by guaranty renewal | 45,249 | 46,741 | 103 |
| Premium Income | | | | |
| 5. | Guaranty Premiums received (Mn Php) | 726.79 | 804.34 | 111 |
| Outstanding Guaranty | | | | |
| 6. | Value of Outstanding Guaranty (Mn Php) | 90,849.30 | 97,250.53 | 107 |
| 7. | No. of units covered by Outstanding Guaranty | 91,138 | 77,064 | 85 |
| DISPOSITION OF ACQUIRED ASSETS | | | | |
| 8. | No. of housing units sold | 784 | 323 | 41.20 |
| 9. | Sales value of assets sold (Mn Php) | 1,153.65 | 129.74 | 11.25 |
| 10. | Proceeds from sale of acquired assets (Mn Php) | 653.75 | 125.41 | 19.18 |
| COLLECTION OF RECEIVABLES (Mn Php) | | | | |
| 11. | Current accounts and lease receivables | 238.47 | 277.91 | 116.54 |

IV. Financial Highlights

For the last 12 years, HGC has been incurring Losses due to debt servicing from guaranteeing Asset Participation Certificates (APCs) which funded Urban Renewal Projects of the National Government and other mass housing projects of private developers.

HGC floated bonds to raise funds for servicing the guaranty claims when these APC-funded projects failed. The details of which are presented below:

| HGC Zero Coupon Bonds | Date of Issue | Face Value |
|------------------------------|----------------------|-------------------|
| Regular Series | August 2002 | P7 billion |
| Special Series | May 2004 | P3 billion |
| New HGC Zeroes | November 2006 | P12 billion |

The first HGC Zero Coupon bonds of P7 billion were used to settle obligations to the private sectors. The second floatation of P3 billion were used to pay government financial institutions (GFIs) and government-owned and controlled corporations (GOCCs) which also invested in the APCs. The last floatation of P12 billion were used to generate funds to redeem the maturing bonds.

It is in 2002 that HGC issued its first Zero Coupon Bonds. This is also the year when HGC started incurring Net Losses, which increased year after year. By 2010, the Net Loss started to decline and continued to do so until 2013.

By 2014, HGC has completely recovered and was able to post a Net Income of P166,851,289.21. HGC is back in the black.

Net Income vs. Loss 2001-2014

| Year | Net Income | Loss |
|-------------|-------------------|---------------|
| 2001 | 15,320,725 | |
| 2002 | | 203,983,897 |
| 2003 | | 586,065,565 |
| 2004 | | 611,535,257 |
| 2005 | | 667,373,919 |
| 2006 | | 977,240,435 |
| 2007 | | 3,165,997,096 |
| 2008 | | 1,197,664,950 |
| 2009 | | 1,772,785,234 |
| 2010 | | 878,952,970 |
| 2011 | | 606,526,758 |
| 2012 | | 562,800,679 |
| 2013 | | 373,608,905 |
| 2014 | 166,851,289.21 | |

HGC shall be remitting 50 percent of its Net Income as dividends to the National Treasury, in accordance to Republic Act No. 7656.