

HOME GUARANTY CORPORATION

2015 Year-end Report

I. The Guaranty Operations

The guaranty operations of the Home Guaranty Corporation (HGC) posted an exemplary performance with accomplishments surpassing the targets for the year.

The Guaranty Group intensified its marketing campaigns in the Metro and the provinces, introducing to potential clients the guaranty products and their benefits. Rural banks, developers and other financial institutions were sought and briefed. The guaranty programs were promoted at conventions, housing fairs and other similar events. Press releases and print ads were published in newspapers to reach the general public.

From these marketing efforts, HGC received and approved 24 guaranty line applications amounting to P59.20 billion. Fourteen (14) of these clients are new ones—13 banks and one developer.

Table 1. 2015 Approved Guaranty Lines

	Date Approved by the Board	Bank/Funder/Developer	Amount (PhP Millions)
1	2/24/2015	Philippine Savings Bank	15,000
2		*Rural Bank of San Antonio (Quezon), Inc.	30
3	3/24/2015	RCBC Savings Bank, Inc.	7,500
4		Robinsons Bank	5,000
5		*Wealth Development Bank	300
6		*Optimum Development Bank	200
7		*Dynamic Realty Resource Corporation	100
8		*Rural Bank of Bay	100
9		*1 st Valley Bank	50
10		*Rural Bank of Antipolo	20
11		5/19/2015	AXEIA Development Corporation
12	Basic Housing Solutions, Inc.		50
13	6/16/2015	Cityland Groups	2,000
14		Sterling Bank of Asia	2,000
15		*Philippine Trust Company	500
16		*Producers Savings Bank	300
17	8/24/2016	Cocolife Fixed Income Fund	500
18		Lipa Bank, Inc. (A Rural Bank)	200
19		*Tiaong Rural Bank, Inc.	50
20	9/28/2015	*BHF Rural Bank, Inc.	60

	Date Approved by the Board	Bank/Funder/Developer	Amount (PhP Millions)
21		*Rural Bank of Limay (Bataan), Inc.	50
22		*Rural Bank of Mangaldan, Inc.	30
23		*First Community Bank, Inc.	10
24	11/5/2015	BPI Family Savings Bank	25,000
TOTAL			59,200

*New clients

With the continuous patronage of its existing clients and the additional support from the new ones, HGC received a significant increase in the guaranty enrolments. This resulted to accomplishments that surpassed the targets in outstanding guaranty and guaranty premium.

Table 2. Summary of 2015 Guaranty Accomplishments

Indicators	Target		Actual		% to Target	
	No. of Units	Amount	No. of Units	Amount	No. of Units	Amount
Outstanding Guaranty	62,728	90.00 Bn	79,809	119.99 Bn	127%	133%
New Enrolments	26,220	41.95 Bn	31,152	58.84 Bn	119%	140%
Renewals	37,233	48.07 Bn	50,326	63.45 Bn	135%	132%
Premium		720.00 Mn		1,054.61 Mn		146%

Outstanding Guaranty

The Outstanding Guaranty—comprised of new enrolments and renewals—stood at P119.99 billion, surpassing the P90.00 billion target by 33 percent. The amount covers 79,809 housing units. Of the total amount, 70 percent is allocated to the low-cost and socialized housing brackets, the segments which most need housing finance assistance.

New Guaranty Enrolments

New housing loans enrolled for guaranty coverage reached P58.84 billion. This is 40 percent higher than the P41.95 billion target for 2015. The amount is equivalent to 31,152 newly constructed or purchased housing units.

Guaranty Renewal

The Guaranty Renewal reached P63.45 billion, 32 percent higher than the targeted P48.07 billion and covers 50,326 housing units.

HGC ensures renewal of currently enrolled accounts and the utilization of existing guaranty lines by sending reminder letters to clients regarding their accounts due for

renewal and the available guaranty line. HGC conducts client visits/calls, providing them immediate response to queries and clarifications.

Guaranty Premium

As of end of December 2015, HGC has earned P1.054 billion guaranty premium from new enrolments and renewals. This is 46 percent higher than the targeted P720.00 million for 2015.

II. Asset Disposition

Despite the many external factors that hindered HGC from disposing its acquired assets, the Asset Management and Disposition Group was able to sell 195 housing units, with total sales value amounting to P67.79 million in 2015.

Table 3. Summary of 2015 Asset Disposition Accomplishments

Indicators	Target	Actual	% to Target
No. of Housing Units/ Lots Sold	1,948	195	10.01%
Sales Value of Assets Sold (PhP Millions)	490	67.79	13.83%
Proceeds from Sale of Acquired Assets (PhP Millions)	266.35	46.51	17.46%

As of end of December 2015, proceeds from the sale of the acquire assets was at P46.51 million.

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. This is to encourage undocumented occupants of the properties to enter into Contracts to Sell with HGC to legalize their tenure.

A total of 692 family-beneficiaries availed of the scheme. Hurdles faced in the implementation are mostly due to issues on entitlement, affordability and question of ownership. Breakdown of the number of family-beneficiaries who availed of the scheme are as follows:

Table 4. Status of the BLU Scheme

	Project	Location	No. of Families	No. of Availing Families
1	MASHAI	Brgy. BF, Sucat, Paranaque City	488	10
2	Sambayanihan People's Village HOA, Inc.	Brgy. CAA, Las Pinas City	178	122
4	FM Pasig BLISS	Brgy. Rosario, Pasig City	154	123
5	Pila Lakeshore	Brgy. Wawa, Pila, Laguna	29	2
6	Malaban Lakeshore	Brgy. Wawa, Binan, Laguna	323	1
7	BF Bernabe Subdivision	Brgy. San Dionisio, Paranaque City	433	355
8	Pinesville Subdivision	Brgy. Kias, Baguio City	104	48
10	Jovil Village 3	Brgy. San Isidro, Rodriguez, Rizal	345	2
11	Suburban Housing	Brgy. San Isidro, Rodriguez, Rizal	702	29
		Total	15,716	692

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

In support of the thrust of the Honorable Vice President to assist the Local Government Units (LGUs) to redevelop and maximize the BLISS projects in their respective jurisdiction, HGC has been coordinating with LGUs to discuss possible reconveyance and turnover of the BLISS and other regional projects to them. LGUs submit Sanggunian resolutions approving/ accepting the reconveyance and/or turnover of the BLISS projects on an “as-is, where-is” basis. This way, HGC shall be able to recover the exposure on the housing project in partnership with the LGUs. Said projects are as follows:

Table 5. Rural Bliss and Other Regional Projects

Project	Location	No. of Housing Units	No. of Families
San Fabian RB-1	Brgy. Mabilao, San Fabian, Pangasinan	50	50
Sta. Barbara RB-1	Brgy. Balingueo, Sta. Barbara, Pangasinan	50	50
Nampicuan RB-1	Brgy. Cabaducan East, Nampicuan, Nueva Ecija	50	50
Silay RB-1	Brgy. Guimbalaon, silay City, Negros Occidental	50	50

Project	Location	No. of Housing Units	No. of Families
Gandara RB-1	Brgy. Calicoran, Gandara, Western Samar	Heavily damaged	-
Western Heights Subdivision	Sitio Pagbalican, Brgy Matobato, Calbayog City	None	-
Cotabato City RB-1	Brgy, Notre Dame, Rosary 8, Cotabato City	50	50

III. Collection of Receivables

Table 6.A Amortization Collection – Existing Portfolio (Amounts in PhP Millions)

Particulars	No. of Accounts	Outstanding Loan Balance	Collection Target	Actual Collection	Collection Efficiency
Current Accounts and Lease Receivables					
Lease of Acquired Asset	24	N/A	133.01	132.65	99.73%
Guaranty Call Accounts	506	176.36	54.02	53.34	98.74%
BLISS Accounts	267	74.70	21.27	21.12	99.29%
Coop/ CMP	104	8.48	2.90	2.14	73.79%
Abot-Kaya/ Resettlement Projects	45	7.87	1.67	1.65	98.80%
SUB-TOTAL	946	267.41	212.87	210.90	99.07%
Delinquent Accounts (Paying)					
Guaranty Call Accounts	159	53.58	19.42	9.22	47.48%
BLISS Accounts	74	27.90	10.50	4.63	44.10%
Coop/ CMP	81	6.82	3.96	0.99	25.00%
Abot-Kaya/ Resettlement Projects	11	2.48	0.86	0.44	51.16%
SUB-TOTAL	325	90.78	34.74	15.28	43.98%
TOTAL	1,271	358.19	247.61	226.18	91.35%

Table 6.B Amortization Collection – New Sales (Amounts in PhP Millions)

Particulars	No. of Accounts	Outstanding Loan Balance	Collection Target	Actual Collection	Collection Efficiency
Lease of Acquired Asset	23	N/A	28.60	28.60	100.00%
Guaranty Call Accounts	58	31.81	7.73	6.98	90.30%
BLISS Accounts	60	9.03	1.43	1.40	97.90%
Coop/ CMP	125	14.72	5.33	3.03	56.85%
Abot-Kaya/ Resettlement Projects	1	0.19	1.27	1.27	100.00%
TOTAL	267	55.75	44.36	41.28	93.06%
TOTAL A & B	1,538	413.94	291.97	267.46	91.61%

With total collection of P267.46 million from 1,538 accounts, the collection efficiency is at 91.61%. This is a 3.15% improvement from last year's collection efficiency of 88.46%.

For current accounts and lease receivables, the collection efficiency is at 99.07%. The collection efficiency for current accounts in 2014 was at 93.64%

For delinquent accounts, the collection efficiency is at 43.98%, slightly higher than last year's collection efficiency of 42.60%

Ensuring current accounts remain current and preventing buyer's delinquency

The following strategies were applied to ensure that accounts remain current:

1. Close monitoring of accounts. Proven as an effective strategy last year, current accounts are being closely monitored to prevent any delinquency or default in amortization payment. Statements of Account (SOA) of clients are sent to their registered address on a regular basis. Clients are also encouraged to avail of the on-line 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.
3. Encourage buyers to take-out their loans from financing institutions like HDMF and banks.

Bringing Delinquent Accounts to Current State

To date, HGC has 6,962 delinquent accounts. These accounts are in arrears for more than three months as of December 31, 2014. The Treasury Department had referred 3,626 of these accounts to the Legal Department for proper legal actions and/or referral to the accredited collection agents.

The following are the status of the strategies that were implemented to bring delinquent accounts to current status:

1. Clean-up of project documents and other project deficiencies. This include the following:
 - Negotiated/approved acceptable payment options for delinquent/undocumented accounts.
 - Judicial reconstitution of missing/unavailable TCTs.

- Cancellation of encumbrances/annotations on TCTs/ CCTs.
 - Re-subdivision and/or transfer of TCTs, CCTs and TDs in HGC's name.
2. Implementation of the 15-year restructuring program. Under the program, delinquent buyers/ lessees are given the option to restructure their total obligation under the following terms:
- Total obligation payable over a period of one year with no interest on amortized payments, or
 - Total outstanding obligation payable over a maximum term of 15 years or the remaining term of the loan: minimum down payment of 10% of the total obligations, payable in six (6) months without interests. Balance payable over 15 years or remaining term of the loan with interest at 6%, 9% or 12% depending on the amount of outstanding obligation. A discount of 1% on the interest rate is given for payments that are settled on or before the due date.
3. Engagement of additional collection agents. Clearance/approval is still pending with COA.
4. Endorsement of delinquent accounts to Legal and ultimately to the collection agent.

IV. Financial Performance

HGC Remits P86M to National Treasury

In 2015, HGC remitted over P86 million in cash or half of its P173.48 million net income (pre-audit) for 2014 as dividends to the National Government (NG) through the Bureau of the Treasury.

This was a milestone for HGC which suffered financial setbacks in the early 2000s as a consequence of providing guaranty coverage to the various projects of the NG in the early '90s, such as the Smokey Mountain Development and Reclamation Project, Sariling Pabahay sa Riles, Subic Bay APEC Project, Commonwealth Enterprise Zone Project, Bilibid Viejo Urban Renewal Project and other private sector-initiated projects.

Majority of these projects experienced liquidity problems in the late '90s. When guaranty calls were made, HGC did not have sufficient funds to service all obligations to the

investors. To raise funds, the previous HGC Board of Directors approved the flotation of zero-coupon bonds.

The annual financial charges of the issued bonds weighed heavily on the finances of HGC. The Agency started incurring losses in 2002.

In 2010, immediately upon the assumption of the new Administration and new HGC Board, with Atty. Manuel R. Sanchez as the new HGC chief, reforms in the HGC guaranty business were instituted. These reforms protected the financial interest of HGC and safeguarded the guaranty from being exploited for flawed projects.

Since 2013, HGC is seeing a steady growth in its Operating Revenues. This is the result of Management's consistent adherence to its policy of controlled and judicious spending. The settlement of its P12 billion zeroes in 2013 also relieved the Corporation from paying an annual Financial Charge of P1 billion that eats a substantial chunk of its income.

Table 7. Financial Performance (2014 vs 2015)

Particulars	2014 (As restated)	2015
Operating Revenue	840,361,118	1,185,385,238
Operating Expenses	299,700,840	306,095,548
Income from Operations	540,660,278	879,289,690
Other income <i>(Expenses/Loss)</i>	<i>(25,662,209)</i>	<i>(8,417,176)</i>
Income before Financial Charges	514,998,069	870,872,514
Total Financial Charges	360,169,775	435,913,159
Net Income (Loss) before Taxes	154,828,294	434,959,355
Taxes	<i>(2,841,384)</i>	<i>(6,963,536)</i>
Net Income (Loss)	157,669,678	441,922,891

V. Other Corporate Activities

Engagement of a research service provider to conduct the customer satisfaction survey

In line with the Governance Commission for GOCC's (GCG) directive to have a customer satisfaction survey, undertaken by a third party as part of the 2015 performance agreement between HGC and GCG, HGC engaged the services of Contact-Asia Services, Inc. (CASI). CASI Research is a full-service market research company based in Makati City.

CASI was engaged to develop survey instruments/ questionnaire, administer the questionnaire and conduct interviews with guaranty clients and submit report on survey results.

The customer satisfaction survey questionnaire created by CASI focused on the process and process requirements, customer satisfaction in transacting business with HGC and on overall satisfaction with business transactions with HGC. Clients were also asked to rank the seven guaranty benefits and give suggestions on how to improve HGC products and services.

Out of HGC's 92 existing clients composed of banks, developers and other financial institutions who availed HGC services in the last 3 years, 74 participated in the survey. The respondents were presidents, vice-presidents and officers-in-charge based in Metro Manila and other provinces.

From CASI's findings, HGC clients were "very satisfied" in the process, process requirements and in the overall business transactions with HGC. Among the attributes, "professionalism and courtesy of staff" was rated the highest followed by "responsiveness to customer needs".

Most of the respondents indicated positive feedback while some suggested that improvements be made with regard to client coordination, procedures and policies.

ISO Certification of HGC Processes

In 2013, HGC acquired its ISO 9001:2008 Certification for its three core guaranty processes—Application for Guaranty, Guaranty Enrolment and Guaranty Call. On November 2015, HGC started its initiative of getting its Quality Management System certification for all its processes under the updated version of ISO 9001:2015 Standards and the certification of its Information Security Management System under the ISO/ IEC 27001:2013 Standards.

HGC is aiming for the overall efficiency and effectiveness of the delivery of its services and in meeting the requirements of its customers. Getting its Information Security Management certified will also give credibility and confidence from its stakeholders in its effort to protect information security, risk management, improves employees' awareness of security issues and their responsibility within the organization.

The target date of completion is March 2016.

Computerization of Core Operations

In July 2011, the Home Guaranty Corporation started the computerization of its core operations as part of the Corporation's Information System Strategic Plan (ISSP). HGC's ISSP was formulated to develop a customized IT solution in support of HGC's various operations.

The HGC Information Systems is being developed using n-tiered architecture consisting of five core components namely: Operation Support Information System, Decision Support Information System, Enterprise Resource Planning, HGC Portal, and Document Management and Workflow System. The development of the HGC Information Systems employs Microsoft Dynamics AX, currently the latest and flagship Enterprise Resource Planning Software from Microsoft.

The ISSP implementation is intended to improve and hasten all aspects of HGC operations from executive decision-making to client and customer service. HGC Information Systems was set to be fully operational by December 2012. However, due to variations and feature enhancements to the modules requested by the different groups and other operating units, project completion was moved to 1st semester of 2017.