Risks in Guaranty Operations	Risk Factors	Risk Mitigants
1) Market Risks	Increase in guaranty calls due to : • Recession • Decline in income of home borrowers • Loss of jobs • Increase in interest rate (borrowers who passed credit ratio upon grant of loan may not be able to afford to pay amortization if interest rates go up (assuming variable interest rate) • Decline in property values • Major natural disaster • Political turmoil	• Diversification of portfolio: Socialized : 40% to guaranty capacity Low Cost : 30% to guaranty capacity Medium Cost : 20% to guaranty capacity Open Housing : 10% to guaranty capacity • Adopt prudent appraisal methods • Establish reserves to absorb technical loss • Strict loan to collateral ratio requirement compliance
2) Credit Risks	Clients lending to non-credit worthy borrowers due to: • Relaxing of credit ratio • Low equity requirement • Waiver of seasoning period • Absence of credit checking and back ground investigation of borrowers • Lack of due diligence to paying capacity of borrowers	• Strict implementation of HGC policies: ○ Credit ratio of not more than 30% or 40% of borrower's NDI ○ 10%, 20% and 30% downpayment depending on type of housing package (CTS accounts) ○ Seasoning period depending on percentage of downpayment (CTS accounts) • Due diligence before accepting enrollment • Post-Audit
3)Liquidity Risks	• Properties conveyed not marketable thus, not easily sold • If calls will reach 10% of the guaranty portfolio, HGC may not be able to serve calls on the guaranty	• Due diligence • Post-Audit • Limit on grant of cash guaranty to manageable level • Promote bond guaranty • Hasten disposition • Strict penalty for non-compliant clients: cancellation of guaranteed accounts or guaranty line