

HOUSING LOAN RECEIVABLES PURCHASE PROGRAM (HLRPP) AND SECURITIZATION

**61st Annual Convention of the
Rural Bankers Association of the Philippines**

**SMX Convention Center
SM Lanang Premier, Davao City
May 22, 2014**



NATIONAL HOME MORTGAGE FINANCE CORPORATION

HOUSING LOAN RECEIVABLES PURCHASE PROGRAM (HLRPP)

- **NHMF**C is buying housing loan receivables with residential house and lot or condominium unit as collateral for securitization



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HOUSING LOAN RECEIVABLES PURCHASE PROGRAM

- Purpose:
 - to provide liquidity to housing originators
 - to build asset pool for securitization



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A. TYPES OF LOANS QUALIFIED FOR PURCHASE

- 1.Real Estate Mortgage (REM)
- 2.Contract-to-Sell (CTS)

B. PURCHASE PRICE OF THE LOAN RECEIVABLE

Take out amount is the Outstanding Principal Balance (OPB) as of cut-off date.



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FEATURES

A. INTEREST RATES (FIXED)

PHP 1.0M and below - 8% P.A. (fixed)

OVER PHP 1.0M - 10% P.A. (fixed)

B. LOAN TERM

not more than 25 years



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C. DUE DILIGENCE

-ASSET

-BORROWER (INTERVIEW & REVIEW OF LEDGERS)

-LOAN DOCUMENTS

**-ORIGINATOR (FINANCIAL CONDITION & COMPANY
PROFILE)**



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D. EQUITY AND SEASONING PERIOD

DOWNPAYMENT/ EQUITY		SEASONING PERIOD	
HOUSE AND LOT (CTS/REM)			
Fully paid of not less than 20% of total contract price		(6) consecutive monthly Amortizations	
Fully paid of not less than 10% of total contract price		(12) consecutive monthly Amortization	
LOAN TO VALUE RATIOS (LTV)			
DP OF 20%, LTV NOT MORE THAN80%		DP OF 10%, LTV NOT MORE THAN90%	

E. OTHER PROVISIONS

- *CTS with remaining term of over five (5) years shall be converted to REM within 2 years from date of take out;*
- *10% hold-out based on Outstanding Principal Balance to guarantee the conversion of accounts from CTS to REM;*



E. OTHER PROVISIONS

- *Submission of PDCs from the buyer/borrower until the account is fully paid;*
- *Letter of Guaranty;*
- *For defaulting accounts: 2% increase in interest rate p.a. applied on the principal portion of the arrears.*



PROCESS FLOW:

1.

**Conduct Due Diligence on
Loan Portfolio and
Originator**

- *Site Inspection/ Appraisal*
- *Title Verification*
- *Examination of Ledgers*
- *Borrower Interview*
- *Review of Legal Documents*



**2. Consolidate
Reports and Present
to Credit Committee
for Approval.**



3.

**Process Voucher for
Payment (take-out,
11 working days)**

Download Loan Documents at www.nhmfc.gov.ph

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SIGNIFICANT FEATURES

- FIXED INTEREST RATES, NO REPRICING
- FIXED TERM
- NO MEMBERSHIP REQUIREMENT
- DEED OF UNDERTAKING (FOR TITLES BEING PROCESSED FOR TRANSFER TO BUYER'S NAME)



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DOCUMENTARY REQUIREMENTS

A. Contract to Sell (CTS) Accounts

- 1. Contract to Sell (CTS)**
- 2. Deed of Assignment of Receivables with Recourse (DARR)**
- 3. Irrevocable Special Power of Attorney (SPA) & Secretary's Certificate**
- 4. Affidavit/Certification of Warranties**
- 5. Individual TCT/CCT**
- 6. Tax declarations and receipts**
- 7. Certificate of Unit Acceptance**
- 8. Authority for background/credit and property investigation/verification**
- 9. Borrower's Ledgers and Official Receipts**
- 10. Insurance Policy with Health Statement if:**
 - Borrower is 60 years old and above; &**
 - Loan value is Php 1.0 M and above**



DOCUMENTARY REQUIREMENTS

B. Real Estate Mortgage (REM) Accounts

1. Loan and Mortgage Agreement (LMA)
2. Purchase of Loan Agreement (PLA)
3. Promissory Note
4. Affidavit/Certification of Warranties
5. Secretary's Certificate
6. Individual TCT/CCT
7. Tax declarations & receipts
8. Certificate of Unit Acceptance
9. Authority for background/credit and property investigation/verification
10. Borrower's Ledgers and Official Receipts
11. Insurance Policy with Health Statement if:
 - Borrower is 60 years old and above; &
 - Loan value is Php 1.0 M and above



DOCUMENTARY REQUIREMENTS

C. Originator

1. Application Letter (Prescribed form)
2. Audited financial statements (past 2 years)
3. Financial Statements duly stamped received by the BSP (for Banks)
4. Interim Financial Statements (for Banks)
5. Latest CAMELS rating (for Banks)
6. Information Sheet (Prescribed form)
7. Bio-data of the Board of Directors & Key Officers
8. Certificate of Registration with SEC/DTI , Articles of Incorporation/By-laws or Articles of Partnership (for Developers)
9. Permits from the regulatory body concerned, i.e. HLURB (for Developers)



DOCUMENTARY REQUIREMENTS

D. Technical

1. Certified True Copy of TCT/CCT
2. Vicinity Map or Location Plan
3. Lot Plan
4. Approved Subdivision/Site Development Plan
5. Complete Set of Approved Building Plans per model
6. Detailed Bill of Materials & Specifications
7. Specification for Land Development & Housing Units
8. License to Sell (Certified True Copy)



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SAMPLE AMORTIZATION (PRINCIPAL & INTEREST)

PHP1.0 M @8% PER ANNUM

TERM: 5 YRS = PHP20,276.39

10 YRS = PHP12,132.76

15 YRS = PHP9,556.52

20 YRS = PHP8,364.40

25 YRS = PHP7,718.16



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SAMPLE AMORTIZATION (PRINCIPAL & INTEREST)

PHP1.5 M @10% PER ANNUM

TERM: 5 YRS	=	PHP31,870.50
10 YRS	=	PHP19,822.65
15 YRS	=	PHP16,119.15
20 YRS	=	PHP14,475.30
25 YRS	=	PHP13,630.50



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SAMPLE AMORTIZATION (PRINCIPAL & INTEREST)

PHP2.0 M @10% PER ANNUM

TERM: 5 YRS	=	PHP42,494.09
10 YRS	=	PHP26,430.15
15 YRS	=	PHP21,492.10
20 YRS	=	PHP19,300.43
25 YRS	=	PHP18,174.01



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SAMPLE AMORTIZATION (PRINCIPAL & INTEREST)

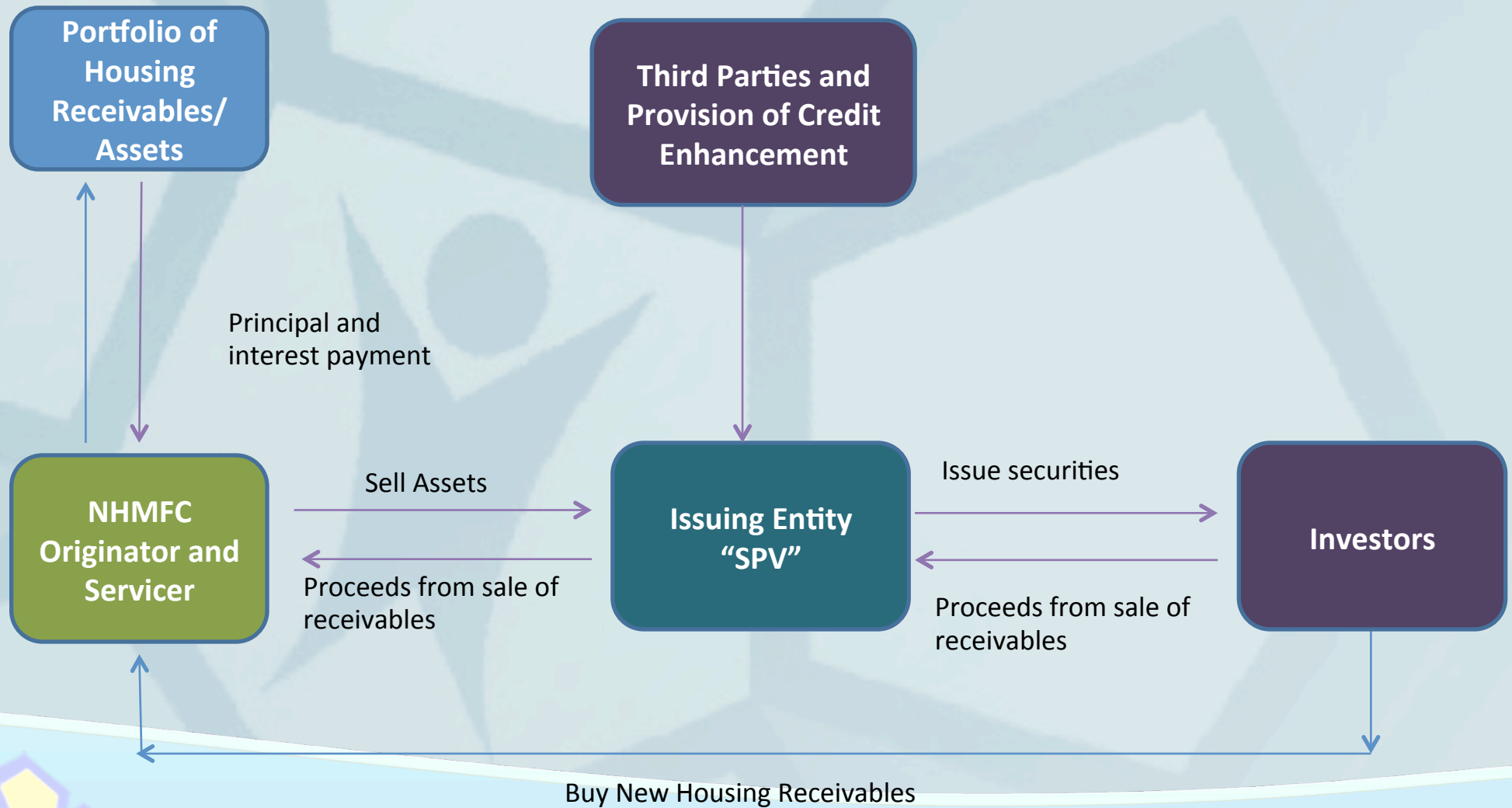
PHP3.0 M @10% PER ANNUM

TERM: 5 YRS	=	PHP63,741.13
10 YRS	=	PHP39,645.22
15 YRS	=	PHP32,238.15
20 YRS	=	PHP28,950.65
25 YRS	=	PHP27,261.02



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Securitization Structure



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Benefits of Securitization for Issuers

- **Funding diversification and enhanced liquidity**
 - Access new investor base
 - Assets converted into cash enhance liquidity
- **Improve Asset Liability Management**
- **Market profile**
 - Gateway to international capital markets
- **Increased capacity for origination of new receivables**
 - Frees up capacity for new asset origination



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PROPOSED PARTNERSHIP ARRANGEMENTS WITH BANKS/FIs

1. Banks to act as primary Housing Originators together with selected group of developer/NGO originators under HLRPP
 - NHMFC/Selected Insurance Company to provide for Mortgage/Credit Insurance and Initial Underwriting
2. Banks to Take-out and Season for 1-2 years
3. NHMFC to purchase receivables after seasoning period
4. NHMFC to structure, issue ABS
5. Banks to participate in securitization either as Underwriter/Market Maker (Fee-based) and/or Buyer/Investor of a Structured Finance Product (Senior/Subordinated Notes to be Issued)

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Incentives for Banks/FIs

- Continuing Venue for Lending Activities for Housing Receivables
- Participation for a Fee in Securitization of Housing Receivables (as Market Maker)
- Investment Opportunity as Buyer of a Class of Issued Asset-Backed Security (either Senior B or Subordinated Notes)
- De-Leverage Housing Loan Portfolio via conversion into Investment of ABS of own receivables



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We are now ready to answer your questions.

Thank You!

Contact us at:

*892-5925 (Marketing Dept.)
893-0491 (Mortgage Pooling Dept.)*

Or visit our website:

www.nhmfc.gov.ph



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