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MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
IN AN AMOUNT EQUIVALENT TO US\$160 MILLION
TO THE
REPUBLIC OF THE PHILIPPINES
FOR A
HOUSING SECTOR PROJECT

June 1, 1988

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CURRENCY EQUIVALENTS

Currency Unit	=	Peso
1 Peso	=	US\$ 0.049
US\$ 1	=	P 20.4

WEIGHTS AND MEASURES

1 meter (m)	=	39.37 inches (in)
1 square meter (sq m)	=	10.8 square feet (sq ft)
1 kilometer (km)	=	0.62 mile (mi)
1 square kilometer (sq km)	=	0.386 square mile (sq mi)
1 hectare (ha)	=	10,000 square meters (sq m) or 2.47 acres (ac)

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ARM	adjustable rate mortgage
BB	Builder's Bricks Development Corporation
BDC	Bliss Development Corporation
CIAP	Construction Industry Association of the Philippines
COA	Commission on Audit
DEM	Department of Budget and Management
DBP	Development Bank of the Philippines
DOF	Department of Finance
DPWH	Department of Public Works and Highways
EO	Executive Order
GNP	Gross National Product
GDP	Gross Domestic Product
GSIS	Government Social Insurance System
HDMF	Home Development Mutual Fund
HFC	Housing Finance Corporation
HIGC	Home Insurance Guaranty Corporation
HLURB	Housing and Land Use Regulatory Board
HSDC	Human Settlements Development Corporation
HSRC	Human Settlements Regulatory Commission
HUDCC	Housing and Urban Development Coordinating Council
IBRD	International Bank for Reconstruction and Development
MCR	mortgage contract receivable
MHS	Ministry of Human Settlements
MMC	Metro Manila Commission
NEDA	National Economic and Development Authority
NHA	National Housing Authority
NHC	National Housing Corporation
NHMFC	National Home Mortgage Finance Corporation
Pag-IBIG	Forced Savings Provident Fund administered by HDMF
SIR	Slum Improvement and Resettlement Program of NHA
SSS	Social Security System
WW	Woodwaste Development Corporation

FISCAL YEAR

January 1 to December 31

PHILIPPINES
HOUSING SECTOR PROJECT
LOAN AND PROJECT SUMMARY

Borrower: Republic of the Philippines.

Beneficiary: National Home Mortgage Finance Corporation (NHMFC), and National Housing Authority (NHA)

Amount: US\$160 million equivalent.

Terms: Twenty years including a five year grace period, at the Bank's standard variable interest rate.

Onlending Terms: Government will onlend US\$80 million equivalent to NHMFC for mortgage financing at 20 years, and a fixed rate to be agreed annually with the Bank, linked to a proxy for long term funds. Government will bear the foreign exchange risk. Bank funds will be blended with fixed rate loans from the Social Insurance System. Onlending from NHMFC to sub-borrowers would range from a fixed rate of 9% to 15% depending on loan amount. The US\$5 million for technical assistance, training, equipment and studies would be made available by Government to the participating agencies on terms agreed with the Bank.

Financing Plan:

Social Insurance System	US\$ 165.0 million
World Bank	<u>US\$ 160.0 million</u>
TOTAL	<u>US\$ 325.0 million</u>

Economic Rate of Return:

Serviced sites:	Metro Manila.....27%
	Regional Cities....28%
Upgrading:	Metro Manila.....31%
	Regional Cities....37%

Staff Appraisal Report: Report No. 6997-PH

Map: none

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED LOAN
TO THE REPUBLIC OF THE PHILIPPINES
FOR A HOUSING SECTOR PROJECT**

1. The following memorandum and recommendation on a proposed loan to the Republic of the Philippines for US\$160 million equivalent is submitted for approval. The loan would help finance a housing sector project and would be for a term of 20 years including a five year grace period, at the Bank's standard variable interest rate.

2. Background. Urban growth in the Philippines has averaged about 4% over the last two decades and is expected to decline only marginally, adding 2.5 million new households by the year 2000. About forty percent of the Philippine population now resides in cities. This ratio is expected to rise to nearly half within 15 years. To address the urgent need for shelter, in 1974 Government consolidated its six ad-hoc housing agencies into the National Housing Authority (NHA), assigning the Authority sole responsibility for mortgage finance, regulation, policy and production. A year later the Bank financed its first urban project in the Philippines involving direct production of serviced sites and slum upgrading with NHA as the executing agency. Project objectives were relatively narrow, concentrating on the demonstration of more cost effective solutions than the extensive squatter relocation in which NHA was then engaged. A second project followed in 1978 to expand these demonstrations to regional cities and a third and fourth in the early 1980's which began to experiment with private sector production of these same low cost alternatives. These projects were quite successful in demonstrating the feasibility and popularity of serviced sites and upgrading, but encountered difficulties with cost recovery (pricing, sales and collections).

3. Despite significant strides in meeting the policy objectives of past projects, new problems emerged in the sector over this period. In the late 1970's the Ministry of Human Settlements (MHS) was established, and the ensuing decade brought a re-expansion to ten agencies governed by the MHS. The National Home Mortgage Finance Corporation (NHMFC) was created to establish a secondary mortgage market for privately built houses, with funds sourced from a new mandatory workers' provident fund (Pag-IBIG). Functional overlaps and competition emerged; coordination was weak and accountability diffused. The private production supported by Pag-IBIG funding was heavily skewed toward higher income groups. Public producers (NHA and the Bliss Development Corporation (BDC)) concentrated respectively on upgrading and resettlement, and high cost housing, contributing little to new stock for the mass of the population. As a result, despite vastly improved conditions in many squatter areas through upgrading, uncontrolled growth has not been curtailed; overcrowding has increased, and living standards have deteriorated. Other sectoral deficiencies include: (a) decapitalization of the key housing finance institution, the NHMFC due to its negative spread; (b) weak inventory management and cost recovery by the public production agencies; (c) a buildup of contingent liability through undercapitalized and underpriced public insurance schemes, and (d) inadequate overall production volume of new stock, with acute shortages in lower income market segments. By

the mid-1980's the key sectoral institutions were insolvent or dependant upon growing government subsidies. During this period the Bank continued to concentrate on shelter production by NHA, with no involvement in the other expanding activities except through sector work.

4. Rationale for Bank Involvement. The Bank's ten year involvement in the sector has been instrumental in helping shape proposed sectoral reforms, and will catalyze their finalization and implementation. The project should therefore be viewed as a transitional step in a fairly complex program of reforms which will take time. While policy actions will not fully achieve all that is needed, significant progress has been made. Especially noteworthy is the project's objective of extending NHMFC's program to non-members of the Social Insurance System (self-employed persons), comprising nearly half of the urban population, and a higher proportion of the urban poor. Without Bank involvement, self-employed workers will not be able to participate in NHMFC's program, as Social Insurance lending through NHMFC is still limited to membership.

5. Project Objectives. Government's long-term goal is the development of an equitable, viable, and eventually self-sustaining system of housing production and finance with an increasing degree of privatization. This will be tackled in stages. The first step being taken under this project will involve rationalization of the public sector role, policy and institutional framework, privatization of insurance, and introduction of private builders into lower cost housing production. The NHA's role will be streamlined and concentrated on production only, and NHMFC will finance all mortgages, including those of NHA. This will represent the Bank's first operation through a financial intermediary in the Philippine housing sector. Interest rates will be increased from a blend rate of about 9% to just over 12%, with a 50% increase in the lowest rate from 6% to 9%. The lowest rate will now be targetted on the poorest families. Negative spreads will be eliminated. Though these rates are fixed rather than variable, computerized systems will be introduced to manage adjustable rate mortgage instruments (ARMs) in future. An ARM policy and timetable for its implementation will be adopted by NHMFC by the end of 1989. Subsequent projects would focus on privatization of housing finance both through reentry by NHMFC into the capital market, and greater involvement of private banks.

6. Specific project objectives include: (a) improvement in the institutional and policy framework (elimination of functional duplications, establishment of a programmatic link between NHA and NHMFC, and strengthened financial positions for these agencies); (b) greater efficiency in the use of public resources (more appropriate interest rate and spread policies, reduced subsidies, improved pricing, sales, collections, and sanctions enforcement); (c) mass housing stock expansion by redirection of private production to lower income groups; (d) introduction of greater prudence into the sector's financial and risk management with strengthened sectoral monitoring, coordination and control, (e) elimination of key bottlenecks to recovery in the construction industry, and (f) stimulation of the domestic economy and direct employment generation.

7. Project Description. The project would support Government's Sectoral Rationalization Plan and associated institutional improvements, and would comprise: (a) support for immediate construction activities by the public and private sector through import assistance for building materials utilized for

housing (US\$75 million or 47%), (b) a time-slice of NHMFC's national mortgage investment program including low and moderate cost units built by NHA and the private sector (US\$80 million or 50%), and (c) related technical assistance, equipment, training and studies (US\$5 million or 3%). The project will be carried out over 5 years. The Central Bank will oversee implementation of the import component, NHMFC the mortgage component and HUDCC the training. The total cost of the project is estimated at US\$325 million equivalent, with a foreign exchange component of US\$151 million (47%). A breakdown of costs and the financing plan are shown in Schedule A. Amounts and methods of procurement and of disbursements, and the disbursement schedule are shown in Schedule B. Retroactive financing of 10% or US\$16 million is included for expenditures made after August 1, 1987. A timetable of key project processing events and the status of Bank Group operations in the Philippines are given in Schedules C and D, respectively. The Staff Appraisal Report, No. 6997-PH dated June 1, 1988 is being distributed separately.

8. Agreed Actions. Government has completed most structural and policy reforms including: (a) issuance of Executive Order No. 90 outlining sectoral goals, a streamlined future institutional structure, divestiture of four corporations, and narrower agency mandates, thereby eliminating functional duplications among public agencies and terminating competition with the private sector; (b) termination of the Ministry of Human Settlements and establishment of a Housing Council to improve coordination and sectoral oversight, and appointment of the Council's Chairman and professional Secretariat; (c) preparation of a Sectoral Policy Statement and Action Plan; (d) completion of NHMFC's new Policy Statement and Action Plan eliminating its negative spread and establishing a positive spread of at least 2 points on future operations; (e) financial restructuring of NHMFC to write off past losses and recapitalization through release of P1 billion (US\$49 million); and (f) financial restructuring of NHA which will be substantively complete by loan effectiveness, and development of NHA's Policy Statement and Action Plan. Agreed divestitures/liquidations will be completed during project implementation. Annexes 10 and 13 of the Staff Appraisal Report outline the Action Plans for the NHMFC and NHA. Schedule E outlines the Sectoral Action Plan.

9. Benefits. The project would improve the sectoral policy and institutional structure, and the efficiency of public housing investments. Serviced sites are expected to generate an economic rate of return of about 27% and upgrading of between 31%-37% depending on location. About 54,000 units would be added to housing stock, of which nearly three quarters would serve families below the poverty line. Another 9,000 existing dwellings would be upgraded, improving tenure and environmental sanitary conditions. Related construction activities would result in approximately 120,000 person years of direct employment.

10. Risks. The primary risk is that such a broad and complex set of reforms (see Attachment E) will prove difficult to implement and sustain. Many of the more demanding tasks, however, are already completed, and the pace of progress to date is promising. Other risks involve inadequate loan recovery which would necessitate an increase in interest rates, (b) NHMFC's institutional capacity to restore speed and reliability in mortgage purchases on a large volume of low cost instruments (on which the profitability and participation of private developers relies), and (c) NHA's ability to reduce significantly standards and unit costs, and telescope the timetable for land

acquisition, site development and unit sales. Extensive institutional strengthening through policy reform, technical assistance, and training under the project, and strong commitment by NMFIC's new management to enforce sanctions and restore profitability will help contain these risks.

11. Recommendation. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and recommend that the Executive Directors approve the loan.

Barber B. Conable
President

Attachments
Washington, D.C.

June 1, 1988

Annex A

PHILIPPINES

HOUSING SECTOR PROJECT

ESTIMATED COSTS AND FINANCING PLAN

<u>Estimated Costs:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	<u>-----</u>	<u>(US\$ million)</u>	<u>-----</u>
Building Materials Imports	0.0	75.0	75.0
NHMFC Mortgage Purchases:	<u>171.5</u>	<u>73.5</u>	<u>245.0</u>
- NHA: Upgrading	14.4	6.1	20.5
Serviced Sites	17.1	7.4	24.5
- Private Developers	<u>140.0</u>	60.0	200.0
TA/Training/Eq/Studies	2.5	2.5	5.0
<u>TOTAL</u> a/	<u>174.0</u>	<u>151.0</u>	<u>325.0</u>

a/ Costs include taxes estimated at US\$12.5 million or 3.8%

<u>Financing Plan:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	<u>-----</u>	<u>(US\$ million)</u>	<u>-----</u>
Social Insurance System	155.0	10.0	165.0
World Bank	19.0	141.0	160.0
<u>TOTAL</u>	<u>174.0</u>	<u>151.0</u>	<u>325.0</u>

Schedule B

PHILIPPINES

HOUSING SECTOR PROJECT

PROCUREMENT METHOD AND DISBURSEMENTS

Project Element	----- Procurement Method -----				Total Cost
	ISB	Normal Commercial Practices (US\$ million)	LCB (includes foreign partic)	Consultants or Other	
Construction Imports (estimated)	7.5	67.5	--	--	75.0
Mortgage Purchases					
a. NHA	--	--	45.0	--	45.0
b. Private Sector	--	200.0	--	--	200.0
TA, Training, Studies	--	--	--	4.5	4.5
Equipment	--	--	0.5	--	0.5
TOTAL	7.5	267.5	45.5	4.5	325.0
%	2%	82%	14%	2%	100%
Bank	7.5	117.5	30.5	4.5	160.0
%	5%	73%	19%	3%	100%

Disbursements

Category	Amount (US\$ million)	%
Imported Building Materials	75.0	100% (of CIF cost)
Mortgage Purchases	80.0	70% (of qualifying mortgages)
TA, Training, & Studies	4.5	100% (of expenditures)
Equipment	0.5	65% if imported and locally procured; 100% of CIF cost if directly imported; or 100% if locally manufactured

Estimated Bank Disbursements

	Bank Fiscal Year						
	FY89	FY90	FY91	FY92	FY93	FY94	FY95
	----- (US\$ million) -----						
Annual	38.5	42.4	7.5	22.3	30.8	13.5	5.0
Cumulative	38.5	80.9	88.4	110.7	141.5	155.0	160.0

Schedule C

PHILIPPINES

HOUSING SECTOR PROJECT

TIMETABLE OF KEY PROJECT PROCESSING EVENTS

- (a) Time taken to prepare: 2.5 years
- (b) Prepared by: Government, NHA and NHMFC
with Bank assistance
- (c) First Bank Mission: October, 1985
- (d) Appraisal Mission Start: August 10, 1987
- (e) Negotiations: May, 1988
- (f) Planned Date of Effectiveness: August, 1988
- (g) List of relevant PCR's and PPARs: Urban I (Loan No. 1272-T/1282-1-PH)
Urban II (Loan No. 1647-PH)

Schedule B

THE STATUS OF BANK GROUP OPERATIONS IN THE PHILIPPINES

A. STATEMENT OF BANK LOANS AND IDA CREDITS a/

As of March 31, 1988

Loan or credit number	FY	Borrower	Purpose	Amount (less cancellations)		
				Bank	IDA	Undisbursed
Seventy-one loans and five credits fully disbursed				2,681.51	72.96	-
1710	1979	Rep. of the Philippines	Provincial Water Supply VI	7.03	-	4.26
923	1979	Rep. of the Philippines	Population II	-	34.40	5.92
1786	1980	Rep. of the Philippines	Fisheries Training (Educ. VI)	37.25/b	-	5.25
1809	1980	Rep. of the Philippines	Medium-Scale Irrigation	37.00	-	14.03
1814	1980	Rep. of the Philippines	Manila Sewerage & Sanitation	48.61	-	6.65
1821	1980	Rep. of the Philippines	Third Urban	71.00	-	14.23
1860	1980	Rep. of the Philippines	Rural Roads Improvement	60.27	-	18.24
1890	1981	Rep. of the Philippines	Watershed Management	39.60	-	7.89
1984	1981	Central Bank of the Phil.	Industrial Finance (Apex)	45.65	-	.45
2037	1981	Rep. of the Philippines	Elementary Educ. Sector Loan	80.50	-	16.92
2040	1982	Rep. of the Philippines	Agric. Support Services	22.00	-	13.14
2127	1982	Rep. of the Philippines	Textile Sector Restructure	16.70	-	2.05
2156	1982	Rep. of the Philippines	National Fisheries Development	2.10	-	0.83
2169	1982	Rep. of the Philippines	SMI III	67.45	-	5.17
2173	1982	Rep. of the Philippines	Communal Irrigation	71.10	-	48.47
2200	1983	Rep. of the Philippines	Education VIII	24.40	-	10.05
2201	1983	Republic of Phil. & PNOG	Petroleum Exploration Promotion	8.00	-	0.32
2202	1983	Republic of Phil. & PNOG	Petroleum Exploration Promotion	8.44	-	1.20
2203	1983	Republic of Phil. & PNOG	Geothermal Exploration	8.23	-	0.29
2206	1983	Rep. of the Philippines	Water Supply and Sanitation	29.00	-	9.90
2257	1983	Rep. of the Philippines	Regional Cities Development	47.00	-	31.48
2360	1984	Rep. of the Philippines	Central Visayas Regional Development	25.60	-	18.77
2418	1984	Rep. of the Philippines	Highways V	102.00	-	86.96
2435	1984	Rep. of the Philippines	Municipal Development	40.00	-	33.26
2495	1985	Rep. of the Philippines	Telecom. Tech. Assistance	4.00	-	1.89
2370	1985	Central Bank of the Phil.	Agricultural Credit	100.00	-	49.38
2676	1986	Rep. of the Philippines	Manila Water Distribution	48.00	-	36.57
2716	1986	Rep. of the Philippines	Rural Roads II	82.00	-	76.62
2787	1987	Rep. of the Philippines	Economic Recovery Loan	300.00	-	100.00
2788	1987	Rep. of the Philippines	Economic Recovery Loan TA	5.00	-	4.00
2823	1987	Rep. of the Philippines	Provincial Ports	32.00	-	28.05
Total				4,147.41	107.36	652.25
of which has been repaid				940.52	1.63	
Total now outstanding				3,206.89	105.73	
Amount sold				31.94		
Of which has been repaid (third parties)						
				30.78		
Total now held by Bank and IDA (prior to exchange rate adjustments)				3,174.95	105.73	
Total undisbursed				646.33	5.92	652.25

/a The status of the projects listed in Part A is described in a separate report on all Bank/IDA-financed projects in execution, which is updated twice yearly and circulated to the Executive Directors on April 30 and October 31.

/b Includes \$7.45 million NORAD funds.

B. STATEMENT OF IFC INVESTMENTS
(As of March 31, 1988)

Investment number	Fiscal year	Obligor	Type of business	Loan	Equity	Total
				(US\$ million)		
57/233	1963/1973	Private Dev. Corp. of the Philippines	Development finance	15.0	4.4	19.4
116	1967	Manila Electric Company	Utilities	8.0	-	8.0
116	1967	Meralco Securities Corporation	Utilities	-	4.0	4.0
157/899/1091	1970	Phil. Long Distance Telephone Co.	Utilities	57.7	0.8	58.5
158/218	1970/1972	Mariwasa Manufacturing, Inc.	Cement & constr. mat.	0.8	0.4	1.2
165	1970	Paper Industries Corp. of the Phil.	Pulp & paper products	-	2.2	2.2
188/369	1971/1977	Philippine Petroleum Corporation	Chemicals & petrochem.	6.2	2.1	8.3
207	1972	Marinduque Mining & Industrial Corp.	Mining	15.0	-	15.0
241	1973	Victorias Chemical Corporation	Chemicals & petrochem.	1.9	0.3	2.2
257	1974	Filipinas Synthetic Fiber Corp.	Textiles & fibers	1.5	-	1.5
272/464	1974/1979	Maria Christina Chem. Ind. Inc.	Iron & steel	1.6	0.6	2.2
288	1974	Republic Flour Mills Corp. (RFM)	Food & food processing	1.2	-	1.2
300	1975	Philippine Polyamide Industrial Corp.	Textiles & fiber	7.0	-	7.0
329	1976/1980	Philagro Edible Oils, Inc.	Coconut oil & copra	2.6	0.2	2.8
379	1977	Acoje Mining Company, Inc.	Mining	2.5	1.2	3.7
374	1977	Sarmiento Industries, Inc.	Plywood	3.5	-	3.5
423	1978	Cebu Shipyard & Eng. Works, Inc.	Ship repairing	2.1	-	2.1
469	1979	General Milling Corporation	Food & food processing	4.0	1.1	5.1
481/665	1980	PISO Leasing Corp. (All Asia capital)	Money & capital market	11.0	0.2	11.2
480	1980	Ventures in Industry & Business Enterprises, Inc.	Money & capital market	-	0.3	0.3
519	1980	Consolidated Industrial Gases, Inc.	Chemicals & petrochem.	4.5	-	4.5
582	1981	Loans to Seven Corp. for SMSE	Money & capital market	18.5	0.6	19.1
553	1981	Phil. Assoc. Smelting & Refin. Corp.	Mining	-	5.0	5.0
572	1981	Davao Union Cement Corp.	Cement & constr. mat.	16.0	-	16.0
627	1982	NDC-Guthrie Plantations	Palm oil	11.0	-	11.0
841	1986	Pure Foods	Food & food processing	-	1.4	1.4
946	1988	BPI Agricultural Development Bank	Development finance	-	1.9	1.9
Total Gross Commitments				191.6	26.7	218.3
Less sold, acquired by others, repaid or cancelled				111.6	16.4	128.0
Total Commitments Now Held by IFC				80.0	10.3	90.3
Total Undisbursed (including participants' portion)				44.0	0.9	44.9

PHILIPPINES

HOUSING SECTOR PROJECT

Schedule E

SCHEDULE OF GOVERNMENT ACTIONS

ACTION AND OBJECTIVE	INSTITUTION RESPONSIBLE	TIMING OF ACTION		
		COMPLETED	BY STAGE OF LOAN PROCESSING	BY DATE
PART I: ACTIONS BY HUDCC				
#1 REORGANIZATION OF THE HOUSING SECTOR THROUGH SIGNATURE OF EXECUTIVE ORDER 90 Outlining broad sectoral goals of volume production, low cost focus, establishing the new streamlined institutional structure and mandates for the sector, and identifying four agencies to be divested/privatized (WW, BB, NHC, BDC)	President's Office	Signed Dec. 17, 1986		
#2 PREPARATION OF SECTORAL POLICY STATEMENT Covering target beneficiaries for public assistance, public vs. private sector roles, broad financial policies	HUDCC	Completed May, 1988		
#3 PREPARATION OF SECTORAL INVESTMENT PLAN Establishing target investment levels and unit production goals as guidelines for individual agencies	HUDCC	Completed Nov. 1986 NEDA Devel'pmt Plan (Revised annually)		
#4 SECTORAL RATIONALIZATION a. Appointment of a Housing Council and Chairman to provide sectoral coordination and leadership	President's Office	Completed January, 1988		
b. Changes in HIGC: 1. Development of a Policy Statement	HIGC	Completed August, 1987		
2. Termination of selected HIGC Functions: - Materials Stockpiling Program	HIGC	Asset sales begun in December, 1987. 80% completed.		Complete by December, 1989
- Sale of Maunlad S&L: (a) COP Approval (b) Bidding and Award (c) Complete sale	HIGC	Approved Nov, 1987 Completed April/May, 1988		August, 1988
- Terminate Guarantees to Other Govt Corporations	HIGC	Completed January, 1988		
c. Liquidation/divestiture of agencies producing high cost housing/building materials, thus eliminating competition between public agencies and with the private sector				
BDC: - Preparation of BDC Liquidation Plan & Timetable for completion of divestiture	HUDCC	Completed August, 1987		
- Appointment of a Conservator, and legal assignment of BDC to the appropriate body for sale	SIDCOR/HIGC	Signed March, 1988		
- Termination of Corporation				December, 1988
- Complete Liquidation				December, 1991
WWCO: - Approval of Disposition Action Plan by COP	SIDCOR	Approved Dec, 1987		
- Begin asset auctions		Completed Feb, 1988		
- Complete liquidation				December, 1991
BBI: - Termination of Corporation (file with SEC)		Completed Sept, 1987		
- Complete liquidation				December, 1991
NHC: - Assignment to DBP/Asset Privatization Trust for sale		Completed October, 1986		

ACTION AND OBJECTIVE	INSTITUTION RESPONSIBLE	TIMING OF ACTION	
		COMPLETED	BY STAGE OF LOAN PROCESSING: BY DATE
d. Clarification regarding the authority of the HUDCC Chairman to chair the Boards of the individual agencies	Dept of Justice	Completed February, 1988 by Dept Justice Opinion	
e. Revised Board compositions:	HUDCC	Completed February, 1988 Operationalized Feb, 1988	
f. Completion of studies: - Right of Redemption study to identify ways to reduce the current redemption period and expedite resale of foreclosed real property collateral	Legislature HUDCC		December, 1991 TOR agreed by Dec, 1989 complete by Dec, 1990
PART II: ACTIONS BY NATIONAL HOME MORTGAGE FINANCE CORP			
#1: Preparation of a <u>POLICY STATEMENT SUMMARY</u> outlining key financial and operational policies to eliminate negative spread and ensure NHMFC's financial viability	NHMFC	Business Plan in March, 1987. Policy Statement completed May, 1988	
#2: <u>FINANCIAL RESTRUCTURING</u> to write off past losses and verify assets; and recapitalization	NHMFC DBM	Balance sheet revisions completed Dec. 1986; Initial P779m (US\$ 38m) released March, 1987 and Remaining P221m (US\$10.8m) released July, 1987	
#3: Preparation of an <u>INSTITUTIONAL ACTION PLAN</u> to complete internal reorganization, computerization, systems development, staff training and strengthening of internal controls and performance indicators	NHMFC	Completed May, 1988	Various dates for specific actions
#4: Establishment of <u>MORTGAGE TAKE-OUT LINKAGE WITH NHA</u> : - Signature of the first demonstration sale of SS mortgages - Signature of a Commitment Line Agreement with NHA - Begin regular takeouts with NHA under UHLP	NHMFC & NHA	Completed February, 1988 Signed February, 1988 for P250 million	May, 1988
#5: <u>EXPANSION OF FUNDING SOURCES</u> : - Signature of SSS/GSIS Loan Agreements to establish local long-term funding sources for NHMFC - Signature of HDMF Agreement	NHMFC/SSS/GSIS NHMFC/HDMF	Signed January, 1988	June, 1988
#6: Development of an <u>ARM POLICY</u> and timetable to enable NHMFC to manage variable rate borrowings	NHMFC		December 31, 1989
#7: Study of <u>FUTURE FINANCIAL INSTRUMENTALITY</u>	NHMFC		July, 1991
#8: Study to strengthening <u>ACCOUNTING AND INTERNAL AUDIT</u>	NHMFC	TOR agreed May, 1988	June, 1989

ACTION AND OBJECTIVE	INSTITUTION RESPONSIBLE	TIMING OF ACTION		
		COMPLETED	BY STAGE OF LOAN PROCESSING	BY DATE
PART III: ACTIONS BY NATIONAL HOUSING AUTHORITY				
#1: <u>POLICY STATEMENT</u> to establish mandate as sole low cost producer, termination of high cost housing, rental operations, estate management small business lending and mortgage administration functions; as well as future policies on profit, and land acquisition	NHA	Completed May, 1988		
#2: Revise <u>PHYSICAL DEVELOPMENT STANDARDS</u> to reflect new pricing policy and increased costs, yet retain affordability	NHA	Completed Aug, 1987		
#3: Development of <u>INSTITUTIONAL ACTION PLAN</u> to computerize operations and accounting, complete systems development, and strengthen financial management and internal controls	NHA	Completed May, 1988		Various dates for specific actions
#4: <u>FINANCIAL RESTRUCTURING</u> to write off uncollectible loans, establish a loan loss Reserve, transfer completed infrastructure to NWSS and others, and convey mortgage assets to another entity. - Government agreement to transfer of NWSS/other assets and the associated liabilities off NHA BS (GCMCC) - Govt (COA) approval of other Phase II adjustments - Completion of COA review of 1987 Financial Statements - Phased asset sales (Phase III) under Liquidation Plan	GOVT COA	Partial cleanup achieved in 1986	Board Presentation Effectiveness	August, 1988 November, 1988 1988-1992
#5: Adoption of a <u>PORTFOLIO LIQUIDATION PLAN</u> to sell existing inventory and finalize mortgage documentation	NHA		Effectiveness	Implementation 1988-1992
#6: <u>BUDGETARY ASSURANCES</u> for NHA's future subsidies for resettlement and a portion of upgrading, and future capital increases	DBM	Telex assurance of P180m in 1988; P360m in 1989 received in October, 1987		Annual budget allocations
#7: Study to Strengthen <u>INTERNAL ACCOUNTING/AUDIT</u>	NHA	TOR agreed May, 1988 September, 1987		June, 1989
PART IV: ACTIONS BY GOVERNMENT				
#1: <u>PRIVATIZATION/DIVESTITURE</u> of HICC (construction loan and insurance functions) to reduce contingent liabilities of govt	APT	Agreed under Public Corp Sector Loan in May, 1988		completion by December, 1990
#2: Government statement regarding <u>SECTORAL OVERSIGHT</u> to ensure prudent financial and risk management (Public Corp Sector)	DOF/NEDA	Received in Oct, 1987 Public Corp Sector Loan		
#3: <u>CONSTRUCTION INDUSTRY STUDY</u> of problems faced by small/medium sized contractors	CIAP	Study underway		December, 1988