

**[ BSP CIRCULAR NO. 678, S. OF 2009, January 06, 2010 ]**

**RULES AND REGULATIONS FOR THE APPROVAL AND PROVISION OF HOUSING MICROFINANCE**

*SECTION 1. Statement of Policy.* The Bangko Sentral ng Pilipinas adopts a holistic approach in addressing social and economic objectives through microfinance. Microfinance has been confined to mean financing for microenterprises or small livelihood activities. It has been proven, however, that clients of microfinance also need a wide range of financial services including housing finance. Further, it is typical that some microfinance clients also use their access to credit for their homes.

Housing microfinance involves the application of microfinance principles and methodologies to the provision of housing finance and consists mainly of loans to existing clients of microfinance institutions and other poor and low-income households. With adequate and appropriate risk management measures, the product will enable institutions to appropriately service the housing needs of those who are unable to access traditional housing finance. The provision of housing microfinance is also seen as a way to improve the living conditions of the enterprising poor and the low-income households which will contribute to better health, productivity and quality of life.

Housing as a shelter is a necessity. As a sector, it spurs economic activity and creates employment through the multiplier effects generated in the downstream industries by the procurement of construction materials. It is therefore important to support this sector.

Toward this end, the following rules and regulations that shall govern the approval of banks' housing microfinance products are hereby prescribed. Memo to All Banks – 2008 – 15 issued last 19 March 2008 is hereby amended.

*SECTION 2. Minimum Criteria to Determine Banks' Capacity to Offer Housing Microfinance.* The BSP will review the application based on the following basic principles:

1. To ensure that the banks have the capacity and technical capability to offer housing microfinance
2. To ensure that the provision of housing microfinance uphold adequate and appropriate risk management systems and procedures as well as the microfinance best methodologies and technologies

Based on the above principles, the BSP may approve the banks' housing

microfinance product upon satisfaction of the following requirements:

1. The bank must have a track record of at least two years in implementing sustainable microfinance programs, including acceptable portfolio-at-risk (PAR) levels as evaluated against prevailing BSP standards.

2. The bank must have an appropriate housing microfinance product manual where the product will be included in the bank's microfinance manual as one of the types of services or products offered to prospective clients. Loan/ account officers must be trained about the housing microfinance product and that the details of the program can be communicated clearly to the clients.

3. Appropriate verification of the following:

a. latest CAMELS rating of at least 3 and a management score of at least 3

b. capital adequacy ratio (CAR) of not lower than 12

c. no major supervisory concerns as to warrant initiation of Prompt Corrective Action (PCA) under existing regulations

d. no arrearages in microfinance borrowings

4. Appropriate certification of the banks' commitment to implement the housing microfinance product following the guidelines set forth in the submitted manual.

*SECTION 3. Basic Product Characteristics.* The housing microfinance product shall have the following basic characteristics:

Subject	Particulars
Purpose	√ House Construction √ House and/or lot acquisitions should be for housing/business √ Home improvement/repairs
Eligibility	√ Existing microfinance clients √ New clients who will normally be eligible for microfinance loans base on banks' policies √ Borrowers who have qualified for the Credit Surety Fund credit enhancement program provided they qualify with the banks' policies