

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



FIFTEENTH CONGRESS

Second Regular Session

House Bill No. **5699**

INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

The past year saw another construction boom in the housing sector, not just in Metro Manila, but the entire country. In Metro Manila, condominium buildings and housing projects are rising, from the posh skyscrapers in emerging business districts to the mid and low rise edifices in the old and low end residential enclaves. Outside of Metro Manila, residential subdivisions and communities, catering to varying family income brackets, are being developed.

This construction boom has been one of the elements fueling the slow but steady rise in economic activity. This is generating a lot of business for construction and real estate companies, and of course the banking and financial institutions. More important, it has been providing trickle down effects to the poorest of the poor by providing employment for construction and other related workers.

Amidst this construction boom, however, it still cannot be gainsaid that the ordinary, low to mid income earning family groups, are benefiting. This is in terms of finally acquiring their "dream" first home. The home they would want to truly call their own.

First, the actual cost of a house and lot or even a just a small condominium or unit in a housing project, is still very expensive. The price of even the cheapest real estate remains to be too steep for the common *tao*.

Moreover, the financing cost of such acquisition is staggering. And, this is without even factoring the loan charges, service fees and penalties imposed on the loan contracts.

Finally, every acquisition of real estate entails the burden of tax payments. These include, among others, payment of the value added tax, documentary stamp tax, local taxes and registration fees. And of course, the payment of realty tax with the local government.

This measure is being introduced to make the first time acquisition of the family home easier and affordable.

This bill makes the actual cost of first time home purchase cheaper by enticing construction, development and real estate companies to sell their housing units at a discount. If these companies grant a discount of a minimum of Ten Percent (10%) of the prevailing sale value of their real estate units to first time home buyers, they shall be entitled to fiscal, non fiscal and other incentives.

Companies selling at a discount may qualify and be treated as a "registered enterprise", entitled to fiscal, non-fiscal and other incentives, as defined under Executive Order No. 226, as Amended, otherwise known as the Omnibus Investment Code of 1987 and the Annual Investment Priorities Plan approved.

This draft measure also reduces the financing cost of first time home ownership. This is by mandating all public and private banking, financial or lending institution to grant a first time home buyer a discounted rate of at least seventy five percent (75%) of the prevailing commercial interest rates per annum. The discount shall be inclusive of all service, penalty and other charges.

Moreover, the loan financing shall also include only minimum collateral, equity or downpayment of five percent (5%) or less, of the acquisition cost. It shall also include accessibility, reasonable repayment terms, expeditious loan documentation and processing procedures.

The bank and the establishment which granted the discount may claim tax deduction. This is to reimburse them for their income losses.

As an additional benefit, a solo parent, shall be entitled to an additional Five Percent (5%) discount from the reduced financing cost. The solo parent shall likewise be granted a more flexible payment terms of the amortizations on the loan.

Finally, this bill grants first time home buyers exemption from payment of any and all taxes due for the purchase. The buyer shall likewise enjoy a tax holiday from realty and other local taxes due for three (3) years.

It has been always been the sworn goal of the government to alleviate the condition and welfare of a majority of the Filipino families, especially those who are in need of the basic need of shelter.

With this measure, such goal can be partly achieved. It would make it easier and affordable, especially to low and middle income groups, to finally acquire the dream home they may call their own. As an incidental effect, this bill would further fuel the construction boom which would become the catalyst of economic growth and development. It would strengthen, promote and support the component activities of housing production and finance. Finally, it would increase private sectors' participation in the investment of their funds into housing finance, construction and development.

It is in this view that the immediate passage of the bill is earnestly sought.



ARTHUR C. YAP
Representative

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AN ACT
MAKING FIRST TIME HOME OWNERSHIP EASIER AND
MORE AFFORDABLE BY MAKING THE COST OF THE
PURCHASE CHEAPER, REDUCING THE FINANCING
COST, EXEMPTING THE PURCHASE FROM TAXATION,
ENHANCING PRIVATE SECTOR PARTICIPATION IN
HOUSING CONSTRUCTION AND FINANCING, AND FOR
OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled.*

1 **SECTION 1. *Short Title.*** – This Act shall be known as the "Easier and
2 Affordable First Time Home Ownership Act of 2012."

3 **SECTION 2. *Declaration of Policy.*** - It is the State's policy to:

4 1. Alleviate the condition and welfare of a majority of the Filipino families,
5 especially those who are in need of the basic need of shelter;

6 2. Make easier and affordable decent housing, especially to low and middle
7 income groups who dream of finding and buying a home which they may call their own;

8 3. Recognize the role of housing construction as catalyst of economic growth and
9 development;

10 4. Strengthen, promote and support the component activities of housing
11 production and finance;

12 5. Increase private sectors' participation in the investment of their funds into
13 housing finance, construction and development.

14 **SECTION 3. *First Time Home Ownership.*** - For purposes of this Act, a "First
15 Time Home Buyer" shall refer to any natural person who purchased for the first time a
16 real property under loan financing and made at least three (3) amortization payments
17 thereon.

18 **SECTION 4. *Making the Cost of First Time Home Purchase Cheaper.*** - Any
19 establishment engaged in the business of construction, development and sale of real
20 estate, who shall grant a discount of a minimum of Ten Percent (10%) of the prevailing
21 sale value of their real estate units to First Time Home Buyers shall be entitled to fiscal,
22 non fiscal and other incentives as mandated under this Act.

23 **SECTION 5. *Reducing the Financing Cost of First Time Home Ownership.*** -
24 Any provision of law to the contrary notwithstanding, it shall be mandatory for all public
25 and private banking, financial or lending institution as defined under Bangko Sentral ng
26 Pilipinas (BSP) rules, to grant a First Time Home Buyer a discounted rate of at least
27 seventy five percent (75%) of the prevailing commercial interest rates per annum,
28 inclusive of all service, penalty and other charges, for the loan financing of the purchased
29 first home. The loan financing cost shall also include only minimum collateral, equity or

1 downpayment of five percent (5%) or less of the acquisition cost. It shall also include
2 accessibility, reasonable repayment terms, expeditious loan documentation and
3 processing procedures.

4 **SECTION 6. *Tax Exemption of First Time Home Purchase.*** – Any provision of
5 law to the contrary notwithstanding, upon the effectivity of this Act, First Time Home
6 Buyers shall be exempted from payment of any and all taxes due from the said purchase.

7 The First Time Home Buyer shall likewise enjoy a tax holiday from realty and
8 other local taxes due for three (3) years.

9
10 **SECTION 7. *Incentives for Establishments Granting Discounts to First Time***
11 ***Home Buyers.*** - Any establishment, individual, partnership, cooperative, corporation or
12 other entity incorporated and/or organized and existing under Philippine laws, granting
13 the minimum discount to First Time Home Buyers under Section 4 of this Act, may
14 qualify and be treated as a "registered enterprise", entitled to fiscal, non-fiscal and other
15 incentives, as defined under Executive Order No. 226, as Amended, otherwise known as
16 the Omnibus Investment Code of 1987 and the Annual Investment Priorities Plan
17 approved. For the next (10) years upon the effectivity of this Act, the line of business of
18 selling real estate to First Time Home Buyers shall be included in the "preferred areas of
19 investments" in the Annual Investment Priorities Plan.

20 The Board of Investments (BOI) shall formulate the appropriate incentives to
21 qualified establishments under this Act: Provided, that any incentive shall be
22 commensurate to the amount of the discounts granted by the establishment to First Time
23 Home Buyers: Provided, further, the application, grant and implementation of the
24 incentive shall be subject to monitoring and review under Executive Order No 226, as
25 Amended.

26 **SECTION 8. *Tax Deductions for Discount on the Financing Cost.*** – The
27 private banking, financial or lending institution may claim the financial loss on the
28 discount granted under Section 5 of this Act as tax deduction: Provided, That the cost of
29 the discount shall be allowed as deduction from gross income for the same taxable year

1 that the discount is granted: Provided, further, That the total amount of the claimed tax
3 receipts for tax purposes and shall be subject to proper documentation and to the
4 provisions of the National Internal Revenue Code, as amended.

5 The establishment, granting the minimum discount to First Time Home Buyers
6 may claim the financial loss on the discount granted under Section 4 of this Act as tax
7 deduction under the foregoing terms and conditions: Provided, That in a such case, the
8 establishment can no longer qualify for the incentives under Section 7 hereof.

9 **SECTION 9. *Mandatory Allocation of Credit Resources for First Time Home***
10 ***Buyer.*** — For a period of ten (10) years from the date of the effectivity of this Act, all
11 lending institutions as defined under BSP rules, whether public or private, shall set aside
12 at least five percent (5%) for First Time Home Buyers of their total loan portfolio based
13 on their balance sheet as of the end of the previous quarter, and make it available for First
14 Time Home Buyers loan financing or credit as herein contemplated.

15 Compliance of this provision shall be limited to actual extension of loans for First
16 Time Home Buyers only.

17 **SECTION 10. *Programs for First Time Home Buyer.*** —The BSP shall establish
18 an incentive program to encourage lending to First Time Home Buyers beyond the
19 mandatory credit allocation, such as possible reduction in bank's reserve requirement and
20 in order to reduce the risks and administrative costs of lending institutions, loan guarantee
21 coverage.

22 The BSP and other concerned agencies, shall give subsidies for the education and
23 training of First Time Home Buyers on credit awareness, loan acquisition and loan
24 repayment. It shall also set up a system which will provide information on the credit
25 worthiness of potential borrowers. It shall set up appropriate systems to monitor all loan
26 applications of First Time Home Buyers in order to account for the absorptive capacity of
27 the said sector.

1 The BSP shall furnish Congress annually with comprehensive reports on the
2 banks' compliance, noncompliance and penalties of the above provisions on the
3 mandatory credit allocation.

4 **SECTION 11. *Additional Benefit for Solo Parents.*** – Solo parents as defined
5 under Republic Act No. 8972, who are likewise First Time Home Buyer shall be entitled
6 to an additional Five Percent (5%) discount from the reduced financing cost under
7 Section 4 of this Act. The solo parent shall likewise be granted a more flexible payment
8 terms of the amortizations on the loan.

9 **SECTION 12. *Penalties for Violations.*** — Any person who violates any
10 provision of this Act shall suffer the following penalties:

11 (1) For the first violation, a fine of not less than Fifty thousand pesos
12 (P50,000.00) but not exceeding One hundred thousand pesos (P100,000.00) and
13 imprisonment of not less than six (6) months but not more than two (2) years; and

14 (2) For any subsequent violation, a fine of not less than One hundred thousand
15 pesos (P100,000.00) but exceeding Two hundred thousand pesos (P200,000.00) and
16 imprisonment for not less than two (2) years but not more than six (6) years.

17 Any person who abuses the privileges granted herein shall be punished with a fine
18 of not less than Five thousand pesos (P5,000.00) but not more than Fifty thousand pesos
19 (P50,000.00), and imprisonment of not less than six (6) months.

20 If the offender is a corporation, organization or any similar entity, the officials
21 thereof directly involved shall be liable therefore.

22 If the offender is an alien or a foreigner, he shall be deported immediately after
23 service of sentence without further deportation proceedings.

24 Upon filing of an appropriate complaint, and after due notice and hearing, the
25 proper authorities may also cause the cancellation or revocation of the business permit,
26 permit to operate, franchise and other similar privileges granted to any business entity
27 that fails to abide by the provisions of this Act.

28 **SECTION 13. *Formulation of Implementing Rules.*** – Within sixty (60) days
29 after the effectivity of this Act, the BSP, BOL, NEDA and the Housing and Urban

1 Development Coordinating Council (HUDCC) shall be constituted into a Committee
2 mandated to issue the Implementing Rules and Regulations of this Act.

3 **SECTION 14. *Separability Clause.*** - If any provision of this Act, or any parts
4 thereof, is declared unconstitutional, the same shall not affect the validity and effectivity
5 of the other portions.

6 **SECTION 15. *Repealing Clause.*** - All laws, executive orders, presidential
8 inconsistent with this Act are hereby repealed or modified accordingly.

9 **SECTION 16. *Effectivity.*** - This Act shall take effect fifteen (15) days from its
10 complete publication in the Official Gazette of in a newspaper of general circulation in
11 the Philippines, whichever comes earlier.

APPROVED.