Best practices in mortgage-backed securitization for the underserved housing market: lessons for the Philippine housing finance

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The development of mortgage-backed securitization (MBS) in many developed countries started as a strategy to expand and facilitate housing finance to the underserved housing market, primarily the low- to moderate-income families with limited access to financing from traditional sources. In particular, governments in these countries established secondary mortgage institutions or SMIs to purchase housing loans originated by banks or other financial institutions and convert these loans into debt securities. The securitization of these housing loans has effectively addressed not only liquidity constraints but also rising interest rates and regulatory constraints (e.g., capital adequacy, BASEL II, risk ratios) that curb investments in home lending.

While securitization has its associated risks as evidenced by the United States (U.S.) subprime mortgage crisis, the gains from the process have been huge including the beneficial links of opening up the capital markets to individual investors and to borrowers that were previously out of reach. The main issue thus is not to question the very existence of securitization but to identify and remedy the shortcomings in the securitization process.

This Policy Note presents lessons drawn from best practices in MBS in selected countries. In particular, it looks into the MBS operation of the Malaysian Cagamas, the Hong Kong Mortgage Corporation, and the Canadian Mortgage and

PIDS Policy Notes are observations/analyses written by PIDS researchers on certain policy issues. The treatise is holistic in approach and aims to provide useful inputs for decisionmaking.

This Note is based on PIDS Discussion Paper No. 2013-43 titled “Feasibility of mortgage-backed securitization for the underserved housing market in the Philippines” written by M. Ballesteros and D. Dulay. The authors are, respectively, Senior Research Fellow and Research Specialist, both of PIDS, and Vice-President for Securitization, National Home Mortgage Finance Corporation. The views expressed are those of the authors and do not necessarily reflect those of PIDS or any of the study’s sponsors.
Housing Corporation, as well as the European liquidity scheme, the German Pfandbriefe cover pool. These institutions were among the financial institutions that have remained resilient in the recent subprime financial crisis. The U.S. MBS system, which triggered the subprime mortgage crisis, is also discussed to draw insights on securitization practices that should be avoided.

**Rationale for mortgage securitization for housing finance**

Securitization is the process of transforming traditional forms of bilateral financial relationships (e.g., loans, leases, payments, other receivables) into freely tradable investment instruments or securities. Many banks worldwide have come to see securitization as an indispensable tool because it can perform a number of valuable functions, which are:¹ (1) mortgage securities can tap new funds for housing and the increase in supply of funds can reduce the relative cost of mortgage finance; (2) mortgage securities can mobilize long-term resources thereby reducing the risk for originators and the risk premium charged by lenders; and (3) mortgage securities increase competition in primary markets by providing small lenders access to mortgage origination and servicing. The experience of Australia in 1994–1996 provides evidence of this market expansion with the entry of specialist lenders that resulted in a reduction of 200-basis points in mortgage spreads during the period (Gill 1997).

However, securitization has its corresponding risks. The process is considered complex because it involves different players and can render financial markets opaque as transactions are conducted in the capital market rather than through banks.

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¹ Chiquier et al. (2004)
The basic securitization structure starts with mortgage origination wherein a borrower applies for a mortgage loan from the originator, i.e., usually a bank (Figure 1). The originator then selects a pool of mortgages with different risk profile to be securitized and sells or transfers the portfolio of mortgages to a special purpose vehicle (or SPV) that pays the originator by raising funds from investors through issuance of bonds. There are several third parties with varying roles in the transactions such as the servicer, asset manager, wholesale lender, and credit rating agency, among others. Some roles and responsibilities can be combined. For instance, the originator may issue its own securities by creating an SPV using a trustee bank/institution. The originator can also be a servicer. The wholesale lender may itself be the trustee bank. The securities can be sold directly to investors by the SPV or through an underwriter or investment banker. Specialized roles are common in developed countries where MBS markets are sufficiently deep and liquid.2

The quality and credit rating of mortgages and assets that backed up these securities are thus critical. But in securitization, frictions and moral hazards are highly probable due to varying interests among the players.3 For instance, originators may engage in predatory lending and have less incentive to screen borrowers carefully because the risk can be taken out of its balance sheet.4 Credit-rating companies may not also provide full disclosure of risks since they are paid by the issuer not by the investor (or buyer).

Additional mechanisms have been put in place to mitigate risks such as government guarantees or warranties to shield investors from potential losses (Table 1). Issuers also practice overcollateralization that requires the face amount of the collateral portfolio to be greater than the face value of the securities issued. Tranching of securitization may also be set up so that first loss is borne by the subnote holder (usually the originator/seller). The issuer and the credit-rating companies, including investors or asset managers, should provide due diligence and ensure that these mechanisms are in place.

Key features of best practices in MBS

1. Malaysia: Cagamas Berhad

Cagamas is the national mortgage corporation responsible for the development of the secondary mortgage market in Malaysia. It was established in 1986 with initial government funding to facilitate and encourage homeownership in Malaysia. The company purchases housing loans from primary lenders and raises funds from the market by issuing debt securities in the form of longer-term bonds and shorter-term notes. As institutions and investors become more familiar with the operations of secondary mortgage market, Cagamas widened its client base from government and financial institutions to include selected corporations. It also diversified its portfolio by purchasing other types of debt from financial institutions. Cagamas securities are all

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2 In developed MBS markets, secondary trading of MBS is done through the bond market or the stock market. On the other hand, if the volume of MBS is low, many roles are combined; trading is usually confined to institutional investors and bonds are usually held by investors to maturity.

3 See Ashcraft and Schuermann (2008) for a comprehensive discussion of important frictions that exist between players.

4 Most countries have antipredatory lending laws and regulations to address some potential conflicts, these may not cover some risks in securitization.
unsecured obligations of the company. They are issued scripless that are tradable electronically in book-entry form through an electronic clearinghouse operated by the Central Bank of Malaysia. To date, the operations of Cagamas have proven highly successful. It has managed to retain the credit rating of AAA for the papers it issues.

The ready acceptance of Cagamas by primary lenders and investors is due to the following factors:

- Government guarantee on Cagamas bonds
- Cagamas took over from the originators the interest-rate risks inherent in housing loans. Also, proceeds from the sale of housing loans obtained by financial institutions from Cagamas are permitted by the Central Bank to be free from statutory reserve requirements. These actions lowered the cost of funds for financial institutions.
- Cagamas enhanced its debt purchases by launching a nonrecourse purchase program that is compliant with Basel II reporting requirements.

These products served as risk management tools for Malaysian banks.

- Cagamas is exempted from stamp duty under the Stamp Act 1949 for its housing loan transactions and its dealings in debt securities thus lowering transaction costs.
- Cagamas stands ready to purchase, at any time, housing loans from the originator at fixed, floating, or convertible rate. Cagamas rate is pegged to interbank rate subject to price review in periods of three, five, or seven years.
- The institution that sold the housing loans has the option to repurchase the housing loans from Cagamas, if it deems the interest rate quoted by Cagamas at the end of the review period to be unacceptable.
- Cagamas bonds are liquid assets for the purpose of compliance with the statutory liquidity requirements by financial institutions under its supervision.

2. Hong Kong Mortgage Corporation (HKMC)

The Hong Kong Mortgage Corporation Limited (HKMC) was established in 1997 by the Hong Kong Government to enable financial institutions to convert retail housing loans into mortgage-backed securities, thereby increasing the availability of funds for new housing projects. This approach to housing finance is based on the securitization of mortgage loans, with the Hong Kong Government as the guarantor of the underlying mortgage loans.

Table 1. Mechanisms to reduce risks or enhance security features in securitization

<table>
<thead>
<tr>
<th>Mechanism/Strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tranching</td>
<td>Pool of mortgages are grouped according to risk to determine the securities’ seniority and pricing. Originator makes several representation and warranties about the borrower and underwriting process. When these are violated, the originator repurchases the problem loans.</td>
</tr>
<tr>
<td>“Haircuts” or overcollateralization</td>
<td>Face amount of loans/receivables in the collateral portfolio is greater than the face amount of securities issued. Providing for bankruptcy a remote vehicle to protect investors from the originator or issuer.</td>
</tr>
<tr>
<td>Ring fencing assets</td>
<td>Net income or excess cash flow generated from receivables provides the first level of credit. Provision to accelerate redemption of senior rates.</td>
</tr>
<tr>
<td>Excess spread</td>
<td>Interest and principal that would have otherwise been distributed to a subordinate class is redirected to more senior classes.</td>
</tr>
<tr>
<td>Early amortization and performance triggers</td>
<td>Cash that is deposited and/or captured in a designated account.</td>
</tr>
<tr>
<td>Subordination</td>
<td>A highly rated bank/insurer guarantees principal and interest payments to bondholders.</td>
</tr>
<tr>
<td>Reserve fund/Spread account</td>
<td></td>
</tr>
<tr>
<td>Letter of credit/Insurance guaranty</td>
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</table>

Source: Dulay (2012)
Kong SAR Government with an authorized share capital of HKD 3 billion, of which HKD 2 billion has been paid up by the Exchange Fund, the foreign currency reserves of Hong Kong, while the remaining HKD 1 billion is callable any time when required. The HKMC is the leading originator of mortgage-backed securities. It provides a strategic intermediary role by purchasing mortgages from banks and mortgage lenders operating in the Hong Kong market. It enhances monetary and banking stability by acting as a liquidity provider to authorized institutions, promotes home ownership by channeling long-term funds from the capital market to the mortgage market and to the Mortgage Insurance Programme, and promotes development of the MBS and debt capital markets.

The HKMC has established two mortgage-backed securities programs: (a) the Guaranteed Mortgage-Backed Pass-Through Securitisation Program established in 1999; and (b) the Bauhinia Mortgage-Backed Securitisation Programme established in 2001. The Guaranteed MBS Program targets banks that are interested in balance-sheet management with a view to converting illiquid residential mortgage loans into securities. The originating bank may hold the securities and HKMC serves as administrator of transaction. In the Bauhinia Programme, the HKMC formed the Bauhinia MBS Limited (Bauhinia), a bankruptcy-remote special purpose company that issues and packages MBS of different series for investors. Bauhinia adopts a bond-style structure and issues securities in different currencies. The Bauhinia Programme facilitates the trading of the MBS and is a major milestone in the development of the secondary mortgage market in Hong Kong.

The combined securitization program has been an efficient, flexible, and cost-effective way for originating banks to offload mortgage loans. This is attributed to the following features:

- The HKMC provides guarantee on the timely payment of principal and interest of the MBS issued under the program to reduce the credit risk of the mortgage loans and reduce the need for the originating bank to make loan provisions.
- HKMC is wholly owned by the Hong Kong SAR Government through the Exchange Fund. The HKMC Guarantee serves to enhance investors’ confidence in the issued MBS.
- The use of standardized mortgage documentation for each issue reduces the time required for document preparation and negotiation, and improves issuance efficiency as a whole.
- The issuing structure allows the originating bank to hold the MBS and retain the income stream from the pool of mortgages.
- MBS guaranteed by the HKMC carries a lower risk weighting of 20 percent for the purpose of determining the capital adequacy ratio, compared with 50 percent for mortgages. This will result in savings in capital cost for the originating bank.

3. Canadian Mortgage and Housing Corporation (CMHC)

In 1985, the Canadian Mortgage and Housing Corporation (CMHC) introduced the National Housing Act Mortgage-Backed Securities (NHA MBS) Program in response to rising interest rates that created difficulties in housing finance. Prior to this date the securitization of mortgages in Canada was virtually non-existent.
unconditional guarantee of timely payment of pools of NHA mortgages. The NHA Mortgage-Backed Securities represents an undivided interest in a pool of Canadian residential first mortgages.

CMHC provides both incentives and controls to ensure viability of the program, as follows:
- To qualify for pooling, each mortgage must be insured by the CMHC, a federal government Crown Corporation. CMHC mortgage insurance protects the lender/issuer against mortgage default and ensures payment of principal and interest in accordance with the terms of the mortgage insurance policy.
- CMHC guarantees full and timely payment of principal and interest to the NHA MBS investors in case of issuer default. The guarantee provided by CMHC is a guarantee by the Government of Canada. The NHA MBS is the only mortgage-backed security with such a guarantee thus it is considered at par with the government-issued Canada bond in terms of quality.
- The CMHC provision of both insurance on the NHA mortgage and the guarantee on the MBS creates a system that provides both large financial institutions and smaller regional lending institutions with the ability to provide financing at comparable rates to one another.
- A select list of Canadian banks, trust companies, insurance companies, caisses populaires, and credit unions qualifies as CMHC-approved NHA MBS issuers.
- CMHC obtains an assignment of the residual interest in the mortgages. This provides for a single global assignment between the issuer and CMHC of all the mortgages listed on the schedule of mortgages.
- NHA MBS is exempted from normal requirements of an extensive and complex prospectus applicable to other issues of securities. The issuers need only prepare prescribed information circulars for each new NHA MBS issue.
- Both foreign investors and Canadians living outside Canada can also purchase these securities and are tax exempt.
- Securities are interest-rate sensitive and their return is determined by prevailing market conditions.
- A secondary market where NHA MBS can be traded has been established. This feature makes NHA MBS an attractive investment for individuals and institutions.

4. Germany Pfandbriefe Cover Pool
Cover pools such as Pfandbriefe is a more common liquidity scheme in European countries. It tends to be associated with asset-backed securities but unlike the traditional securitization, the assets in the cover pool remain in the bank’s balance sheet. Cover pools are also dynamic because their composition can and usually does change over time, depending on the maturities and on the newly registered cover assets.

The origin of the German Pfandbriefe bond can be traced back to the early 1900s with the implementation of the Mortgage Bank Act of 1900. It was initially used to refinance residential mortgages but it evolved over time as a means to finance public sector loans, ship loans, and aircraft loans. These assets—together with the collateral—are entered into a cover register referred to as the cover pool. Pfandbriefe bonds or securities are issued on the basis of the cover pools. Only mortgages that meet certain requirements may be used as cover. Eligible assets
include mainly real estate loans but bonds guaranteed by the government and claims under derivative transactions are also accepted within certain limits.

The issuance of Pfandbriefe is governed by stringent legal provisions. An independent cover pool trustee appointed by the Federal Financial Supervisory Authority (BaFin) records cover assets and cover asset replacements in the cover register. In the event of the Pfandbrief issuer's insolvency, Pfandbrief investors have a preferential claim on the cover assets in the cover register because cover pool assets are not included in insolvency proceedings but are managed separately by the cover pool administrator. There has not been a Pfandbrief default since 1901. The Pfandbriefe bond market is now the biggest segment of the euro-denominated private bond market in Europe and rivals in size the individual European government bond markets.

Pfandbriefe bonds are attractive primarily due to the high credit quality of mortgages in the cover pool, which are generally of triple-A rating, resulting from some key features:

- The quality of the collateral pool that must be covered by related assets of at least an equal amount and yield.
- A well-established regulatory framework and stringent legal provision in the issuance of Pfandbrief and thus are deemed as particularly safe.
- First-ranking mortgages in the cover pool should have loan-to-value (LTV) ratios no higher than 60 percent.
- Mortgage lending value (MLV) must not exceed, and is usually lower than, the market value. By international standards, the German property market has shown itself to be stable over the last decades. One of the main reasons is the method by which German banks determine an MLV. The MLV is prudently calculated. It is based on long-term sustainable features of the property not on exaggerated or speculative prices. The method allows Pfandbriefe banks to refinance property loans.6
- Assets in the cover pool have to be insured based on the relevant risks associated with the location and type of property.

The U.S. subprime mortgage crisis: some lessons

The U.S. mortgage securitization market represented by agencies such as Ginnie Mae (Government National Mortgage Association), Fannie Mae (Federal National Mortgage Association), and Freddie Mac (Federal Home Loan Mortgage Corporation) has pioneered the development of secondary mortgage market in the region. Specifically, these institutions supported the extensive efforts by the government at all levels to encourage the production and consumption of housing.

The two prominent agents, Fannie Mae and Freddie Mac, each operate two related lines of business, i.e., they issue and guarantee mortgage-backed securities, and they invest in mortgage

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6 The mortgage lending value is calculated based on long-term sustainable features of the property. It represents the value, which throughout the entire life of the loan, can probably be achieved for a property sold in the free market—irrespective of temporary (e.g., economically induced) value fluctuations in the respective property market. Current, and possibly exaggerated, market prices are disregarded. This requirement serves to eliminate speculative influences.
assets. Fannie Mae was founded in 1938 during the Great Depression as a government-sponsored enterprise and was transformed into a publicly traded company in 1968. In 1970, Freddie Mac was created to expand the secondary market for mortgages in the United States. Both institutions were created by the U.S. Congress and hold special federal charters. As government-sponsored enterprises, they have the following privileges: (a) potential line of credit with the U.S. Treasury for up to USD 2.25 billion; (b) exempt from state and local income taxes; (c) can use the Federal Reserve as their fiscal agent; (d) securities issued are eligible as collateral for public deposits, for purchase by the Federal Reserve in open-market operations, and for unlimited investment by commercial banks and thrift banks; and (e) securities issued are explicitly government securities and are exempt from the Securities and Exchange Commission’s registration and reporting requirements and fees as well as from the provisions of many state investor protection laws.

Until the subprime mortgage crisis that started in the United States in 2008, Fannie Mac and Freddie Mac have viable operations. The origination of mortgages and issuance of MBS was dominated by loans to prime borrowers conforming to the underwriting standards set by Fannie Mae and Freddie Mac. An automated underwriting system (AUS) tool called Desktop Underwriter (DU) has been created which lenders can use to automatically determine if a loan is conforming. “Conforming loans” or mortgages consistent with the set guidelines are accepted for purchase. Mortgages that do not meet the guidelines are called "nonconforming loans". Fannie Mae and Freddie Mac followed this custom DU for a long time.

However, starting 2001, Fannie Mae and Freddie Mac accepted mortgages that are outside of conforming loans classified into: (1) Jumbo asset class, which includes loans to prime borrowers with an original principal balance larger than the set limits; (2) Alt-A asset class, which involves loans to borrowers with good credit but did not conform to the usual underwriting (e.g., no documentation of income, high leverage); and (3) Subprime asset class, which involves loans to borrowers with poor credit history. This expansionary move was motivated by the decline in long-term interest rates. By the end of 2003, there has been an increase in origination and issuance across all asset classes, i.e., both conforming and nonconforming. However, while conforming asset class peaked in 2003, the nonconforming asset markets rapidly grew through to 2005 (Table 2). Eventually, the proportion of nonconforming activity specifically for Alt-A and Subprime loans increased significantly. In 2006, the ratio of subprime MBS issuance to subprime mortgage origination rose to 75 percent from 46 percent in 2001 while MBS issuance to Alt-A mortgages increased to 91 percent from only 19 percent in 2001. These securities were sold to investors and “very little was retained on the balance sheets of the institutions who originated them” (Ashcraft and Schuermann 2008).

7 However, Fannie Mae buys loans from approved mortgage sellers (or the primary market), either for cash or in exchange for a mortgage-backed security that comprises those loans. Freddie Mac buys mortgages from the secondary market. Fannie Mae and Freddie Mac earn from interest spread and from charging risk-based guarantee fee in exchange for assuming the credit risk on principal and interest of securitized mortgages.
The sale of securities backed by subprime mortgages was undetected or possibly overlooked. It has been reported that one of the major causes of the recent subprime crisis is that credit ratings were assigned to subprime MBS with significant error (Ashcraft and Schuermann 2008). Credit rating can be susceptible to both “honest and dishonest errors” (Ashcraft and Schuermann 2008). Although ratings are publicly disclosed, investors lack the ability to evaluate the efficacy of these models. Other third-party players who may have the ability to evaluate these models may have potential conflict of interest to reveal the “true” ratings.

As a result of the declining asset quality of issuances, creditors and alarmed investors reacted by limiting the credit supply and selling their shares. Foreign investors (mainly Asian central banks) who held 35–40 percent of the debt issued by Fannie Mae and Freddie Mac started to sell. The market capitalization of Fannie Mae by the end of August 2008 was USD 7.6 billion compared to USD 38.9 billion by the end of 2007 while Freddie Mac’s capitalization was USD 3.3 billion by the end of August 2008 compared to USD 22 billion by the end of 2007.

### Conclusions and policy recommendations

Mortgage-backed securitization is an acceptable and effective strategy to support housing finance, improve down-market penetration, and develop the capital market. Developed countries initiated the process through the establishment of SMIs. These SMIs have been supported by their governments through provision of adequate capitalization, tax exemptions, government guarantees, and other incentives.

However, due diligence in the operation of SMI is critical. The viable operations of SMIs in Malaysia, Canada, Hong Kong and even the United States point to the importance of prudent underwriting. These countries require high credit quality of mortgages. Likewise, the German Pfandbriefe cover pool is governed by stringent collateral requirements and legal provisions. There are set standards and eligibility criteria for mortgages that are accepted for purchase and securitized. For instance, an LTV of 60 percent is set for refinanced property loans. Prudent determination of property values is practiced in German Pfandbriefe. Canada NHA MBS and German Pfandbriefe require the asset pool to be

### Table 2. Origination and issue of nonconforming and conforming loans, U.S. subprime mortgage crisis (in billion USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Subprime Origination</th>
<th>Ratio</th>
<th>Subprime Issuance</th>
<th>Ratio</th>
<th>Alt-A Origination</th>
<th>Ratio</th>
<th>Alt-A Issuance</th>
<th>Ratio</th>
<th>Jumbo Origination</th>
<th>Ratio</th>
<th>Jumbo Issuance</th>
<th>Ratio</th>
<th>Agency Origination</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$190.00</td>
<td>46%</td>
<td>$60.00</td>
<td>19%</td>
<td>$11.49</td>
<td>9%</td>
<td>$430.00</td>
<td>33%</td>
<td>$1,433.00</td>
<td>76%</td>
<td>$1,067.60</td>
<td>76%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$231.00</td>
<td>53%</td>
<td>$68.00</td>
<td>79%</td>
<td>$576.00</td>
<td>30%</td>
<td>$1,442.60</td>
<td>76%</td>
<td>$2,690.00</td>
<td>79%</td>
<td>$2,130.90</td>
<td>79%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>$335.00</td>
<td>58%</td>
<td>$85.00</td>
<td>87%</td>
<td>$655.00</td>
<td>36%</td>
<td>$2,690.00</td>
<td>79%</td>
<td>$3,145.00</td>
<td>76%</td>
<td>$2,130.90</td>
<td>79%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$540.00</td>
<td>67%</td>
<td>$200.00</td>
<td>79%</td>
<td>$158.60</td>
<td>45%</td>
<td>$1,345.00</td>
<td>76%</td>
<td>$1,018.60</td>
<td>76%</td>
<td>$1,006.00</td>
<td>76%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$625.00</td>
<td>74%</td>
<td>$380.00</td>
<td>87%</td>
<td>$570.00</td>
<td>49%</td>
<td>$1,180.00</td>
<td>82%</td>
<td>$964.80</td>
<td>82%</td>
<td>$904.60</td>
<td>82%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$600.00</td>
<td>75%</td>
<td>$400.00</td>
<td>91%</td>
<td>$365.70</td>
<td>46%</td>
<td>$1,040.00</td>
<td>87%</td>
<td>$904.60</td>
<td>82%</td>
<td>$904.60</td>
<td>82%</td>
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</tbody>
</table>

Notes: Jumbo origination includes non-agency prime. Agency origination includes conventional/conforming loans.
As securitization involves several players, financial transactions can become opaque, which may cause potential conflicts of interest. Regulatory agencies should ensure that securitization is used to meet the funding and investments needs in the real economy and not as a tool for balance sheet arbitrage.

insured based on the relevant risks associated with the location and type of property.

The experience of the U.S. subprime crisis shows the dangers of relaxing underwriting standards. It also highlights the need for a well-established regulatory framework for securitization. As securitization involves several players, financial transactions can become opaque, which may cause potential conflicts of interest. Regulatory agencies should ensure that securitization is used to meet the funding and investments needs in the real economy and not as a tool for balance sheet arbitrage. Additional risk mechanisms (e.g., tranching, excess spread, warranties) have to be in place to mitigate risks and resolve conflicts. Credit-rating agencies play a critical role and due diligence is required in the accreditation of these agencies.

In the Philippines, the National Home Mortgage Finance Corporation (NHMFC) is positioning itself as the country’s SMI. After putting its financial operations in order, the NHMFC has succeeded in its maiden securitization operations. Government, however, would need to strengthen NHMFC and rationalize housing finance institutions to enable NHMFC to take the lead in secondary market development. Securitization in the country is often viewed as a liquidity tool and generally the scheme does not appeal to the government when the market is filled with excess liquidity. However, securitization has other benefits as shown by the best practice examples mentioned in this Policy Note. Moreover, MBS is still relevant in the Philippines today because of the segmented housing finance market. Banks cater mostly to the upscale market, leaving low- and moderate-income families, which comprise about 50 percent of the total households, to rely on the limited funds of public finance institutions.

References