

Pag-IBIG Fund gives its lowest interest rates

Pag-IBIG Fund encouraged Pag-IBIG members to avail of housing loans now even as the Fund adopted the full risk-based pricing framework, a move that lowered the interest rates of the regular housing loan program of Pag-IBIG.

Acmad Rizaldy P. Moti, Pag-IBIG Fund Deputy Chief Executive Officer for Home Lending Operations Cluster said that the conversion is basically aimed at helping more Pag-IBIG members acquire their own homes.

"Reduced interest rates will result in lower monthly amortizations, and that means more affordable housing loans to Pag-IBIG members," Moti said.

"From as high as 11.5% before Pag-IBIG converted to full risk-based pricing, the interest rates now is as low as 5.5% per annum for a one-year repricing period," he added.

The new rates under the risk-based pricing carry an interest of 5.500% for a 1-year fixed-pricing period, 6.500% for a 3-year fixed-pricing period, 7.270% for 5 years, 8.035% for 10 years, 8.585% for 15 years, 8.800% for 20 years, 9.050% for 25 years, and 10% under a 30-year fixed-pricing period.

Since the Fund shifted to full risk-based pricing in the middle of 2012, it lowered its rate for five consecutive times according to Moti.

Moti explained that the new rates, except for the 5.5%, is open to existing borrowers whose housing loan accounts carry interest rates more than the prevailing market rates. Only housing loan borrowers whose application was approved starting July 1, 2016 onwards may avail of the 5.5% rate.

"A borrower who availed of a PhP 1 Million loan prior to adoption of the full risk-based pricing was charged an interest rate of 8.5% per annum, with a monthly amortization of PhP 7,689. But by shifting to the lowest allowed interest rate of 6.5% under a 3-year repricing period, the monthly amortization would go down to PhP 6,320, or a monthly savings of PhP 1,369. And for the same loan amount, a new borrower who got his housing loan approved after July 1, 2016 at an interest rate of 5.5% would only have a monthly amortization of PhP 5,677, or a savings of about PhP 2,000 per month," explained Moti.

The Fund's risk-based pricing framework covers all costs, risks, and a reasonable spread, making the pricing more competitive with other institutional lenders. This framework is the platform of all reforms for financial sustainability of the Fund, demonstrating an innovative use of analytical techniques and showcasing results of collaboration within the Fund towards all reforms and improvements in its loan programs.

But for Pag-IBIG housing loan borrowers, Moti emphasized, this only means more affordable monthly amortization and additional savings. (end)