Affordable Finance for Resilient Housing in the Philippines

Submitted By: Build Change

Organization Profile

Organization Name: Build Change

Organization Type: Civil society

Website: https://buildchange.org/

Practice Details

Country(ies): Philippines

City(ies): Albay, Bohol, Cebu, Abra, Laguna, Aurora, Nueva Ecija, Bulacan

Start Year: 2013 **Ongoing:** Yes **End Year:** N/A

Main Adequate Housing Components:



Housing Thematic Areas:

Housing Affordability & Financing

Housing & Climate Adaptation

Relevant SDGs:



UN-HABITAT

Problem & Context

Build Change has worked in the Philippines since 2013 when Typhoon Yolanda left over 4 million people homeless. Since then, Build Change's housing resilience programs have made 4,341 buildings and 45,515 people safer.

The Philippines has been ranked as the country with the highest disaster risk worldwide, making access to affordable, resilient housing an urgent need for millions, particularly low-income communities who are most vulnerable to the impacts of climate hazards. Around 50% of Filipinos' homes are in need of improvements, according to research by Build Change. Despite this, non-mortgage loans for home repairs are uncommon in the Philippines and a recent policy review by Build Change noted that, while government programs exist, they do not include subsidies or loans for preventative home strengthening, making it difficult for millions of vulnerable, low-income homeowners to access financing to make their homes more resilient.

Solution Developed

Recognizing the importance of offering finance options that enable homeowners to make their homes more resilient, Build Change has partnered with local microfinance institutions – already serving 11 million clients in the Philippines – to develop a product that requires no collateral and provides small, accessible loans to homeowners for making incremental repairs. This approach allows clients to pay back and seek new loans as they undertake different phases of their home improvements. Moreover, technical assistance is provided throughout the process to ensure that the structural aspects of the homes are reinforced to withstand earthquakes and climate-related challenges. This includes using durable materials, installing mechanisms for improved resilience, and implementing safety measures. Together, Build Change, homeowners and micro-finance institutions have worked to generate community involvement, develop safer construction and advocate for disaster-resilient housing.

Implementation

In 2019, a pilot project was conducted using this model. 19 homes (USD 190k in assets) were improved. The project retrofitted houses with measures to ensure the overall strength and resilience during a disaster, specifically targeting prevention of damage caused by earthquakes, typhoons, and heavy rains. Houses were improved using homeowner-driven reconstruction, prioritizing the needs and interests expressed by the homeowners during the overall improvement process. Quality of life improvements were also made, including additional rooms for improved comfort and privacy. This made it possible to avoid relocation and allowed the community to remain within the existing social fabric, with easy access to public transport, school, and employment.

Following the pilot, Build Change partnered with six MFIs to support them to develop loan products for resilient housing that are within the borrowing capacity of low-income Filipino

families. These loan products and home strengthening projects have been implemented throughout the country, from Albay to Bulacan and beyond.

As part of this project, a customized version of the Build Change technical assistance platform, BCtap, has been developed to support loan officers at partner MFIs to disburse loan products, monitor and collect repayments, and provide technical assistance all via a user-friendly mobile app that enables the scaling of this loan product and makes necessary technical expertise available at a significantly reduced cost.

Enablers & Obstacles

1) Enablers: Rising demand for resilient housing loans drove MFIs to integrate housing finance into their portfolios, supported by buy-in and commitment from leadership. Tailored, demand-driven loan products met the needs and repayment capacity of low-income homeowners, while capacity-building resources—including training, coaching, and tools like BCTap, assessment forms, and the Builders' Guide—helped MFIs design and deliver effective housing finance programs.

2) Obstacles: Many MFIs had little prior experience with housing finance, addressed through ongoing training, product development support, and practical tools. Affordability constraints among low-income households were mitigated through flexible, incremental loan approaches. Finally, limited awareness and perceptions of resilient housing as unattainable were overcome through campaigns, demonstration projects, and partnerships with builders that built trust and stimulated demand.

Results & Impact

To date, this work has enabled home improvement loans to 2,596 households, with a 98% repayment rate and with 95% of borrowers being women.

In addition to these project-specific impacts, Build Change research has shown that structural retrofit is more affordable and better for the environment, too. On average, improving existing homes saves 14 metric tons of carbon dioxide per house and costs 23% of the cost of new housing relative to new construction.

This pilot project demonstrated that Build Change's homeowner-driven approach combined with financial services from partner institutions is a feasible and scalable solution. By standardizing the previously informal process of determining repayment periods for various home improvements, the new financial product allows microfinance institutions to replicate this approach with additional clients. This approach has not only made home improvements more affordable and sustainable but also contributed to building resilience in vulnerable communities across the Philippines. As the model continues to be scaled up, more Filipino homeowners will

have access to affordable financing, enabling them to create safer and more resilient homes for their families.

Replication & Scale Up

We are currently working with our team in Indonesia to replicate this model there. We are partnering with KOMIDA, one of Indonesia's largest microfinance institutions, to offer incremental climate adaptation loans (ICALs). Build Change has been working with KOMIDA since 2023, and last year began developing an ICAL loan plus technical assistance product through BCtap that enables KOMIDA members living on less than USD $5 / day to make affordable investments to improve the climate resilience of their homes, with a special focus on reducing exposure to extreme heat.

- Access to Affordable and Flexible Capital. Scaling MFI housing programs requires dedicated capital, providing patient, low-cost financing. Blended finance and liquidity facilities enable MFIs to lower interest rates and manage risks of resilient housing loans.
- Capacity Building of MFIs: Providing continuous support to MFIs through technical assistance in designing and implementing resilient housing loans.
- Policy and Regulatory Support: Integrate incremental finance and housing upgrades into existing government programs and change permitting to increase access for vulnerable households.

Policy Uptake

This housing practice has informed or been partially integrated into policy discussions, strategies, or pilot-level policy instruments.

In conjunction with our innovative finance work, the Build Change Philippines team has undertaken a policy review, reviewing existing housing policy and available government funding to identify gaps related to improvement of existing housing and possible opportunities to use existing public funding towards this end. To date, we have completed a review of existing policy and have engaged relevant government agencies towards a successful pending policy change to allow preventive strengthening of informal housing to be funded by national government housing allocations.

Lessons & Takeaways

We would continue to improve on the below areas:

- Reduce interest rates, based on the lower risk of housing finance, to make finance products more accessible.
- Continue improvements to BCtap (already underway) to integrate AI capabilities to reduce technical barriers for MFI loan officers and reach greater scale.

- Increase capital available for housing finance, making it possible for MFIs to provide more loans and reach more people.
- Deepen engagement with homeowners and local workforce to embed resilient housing practices in local communities and construction practices.