

SOCIAL HOUSING FINANCE CORPORATION

CMP IMPLEMENTING RULES (CIR) FOR R.A NO. 9507 AND ITS IRR (SOCIALIZED AND LOW-COST HOUSING LOAN RESTRUCTURING ACT OF 2008)

RULE I

TITLE, AUTHORITY, PURPOSE AND DEFINITION OF TERMS

Section 1. **Title** – These Rules shall be known and cited as the CMP Implementing Rules (CIR) for R.A. No. 9507 and its IRR (Socialized and Low-Cost Housing Loan Restructuring Act of 2008).

Section 2. **Authority** – By virtue of Section 8 of R.A. No. 9507, and pursuant to its IRR's Rule IX, Section 1, this CMP Implementing Rules (CIR) is hereby promulgated.

Section 3. **Purpose** – These Rules and Regulations shall provide the Social Housing Finance Corporation (SHFC) with guidelines for the comprehensive implementation of the Act.

Section 4. **Definition of Terms** – As used in these Rules, the following terms shall mean as follows:

- a. *Adjusted Loan Value (ALV)* – refers to the final loan share of member-beneficiary after the title subject of the CMP loan has been subdivided and unitized.
- b. *Community Association (CA)* – refers to officers and member-beneficiaries who grouped themselves to an organization registered with HLURB for purposes of loan availment under the Community Mortgage Program (CMP) of the SHFC
- c. *Community Association (CA) Loan* – refers to the loan extended to Community Association through the Community Mortgage Program (CMP) of SHFC.

- d. *Community Mortgage Program (CMP)* – refers to a financing scheme that assists and enables informal settlers, slum dwellers or residents of blighted areas, in purchasing, through their duly-registered community association (CA), the land they occupy or the land where they will be relocated.
- e. *Condonation* – refers to the relief given by SHFC in the payment of accumulated penalties, surcharges and interest on unpaid principal (IUP).
- f. *Delinquent Member-Beneficiaries* – refer to member-beneficiaries with at least three (3) months of unpaid amortizations.
- g. *Fire and Allied Perils Insurance* – refers to a yearly renewable term insurance on the housing structure subject of a loan against fire, lightning, earthquake shocks, typhoons and floods.
- h. *Force Majeure* – refers to those events which cannot be foreseen or, if foreseeable, cannot be prevented or avoided by the exercise of due diligence such as strikes or other labor difficulties, rebellion or insurrection, acts of war, riots or civil commotions, acts of public enemies, national emergencies, fire, flood, earthquake or other catastrophes or acts of God.
- i. *Foreclosed Account* – refers to accounts that have been issued Certificates of Sale (COS) by virtue of auction sale conducted by the court, sheriff or notary public and with expired redemption period.
- j. *Foreclosure* – refers to the legal procedure either judicially or extra-judicially, as long as due process is observed, for enforcing claims against a mortgagor due to default in payment of his obligation.
- k. *Interest on Unpaid Principal (IUP)* - refers to the 6% annual interest charges on the principal portion of the monthly amortization not paid on the due date.

- l. *Legal Heirs* – refer to persons who are called to succeed to the rights and interests of a deceased person either by provision of a will or by operation of law.
- m. *Loan Restructuring* – refers to a process where the principal terms and conditions of the original loan are modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis.
- n. *Loan Restructuring Agreement* – refers to the document to be executed between SHFC and the member-beneficiary after approval of his application for this Program.
- o. *Member-Beneficiaries (MBs)* – refer to members of a community association of CMP projects who have individual shares in the community loan.
- p. *Member-Beneficiaries (MB) Loan* – refers to the individual loan share of each member of the community association.
- q. *Mortgage Redemption Insurance* – refers to a yearly renewable term insurance where the member-beneficiary is covered for an amount equal to the restructured obligation.
- r. *Outstanding Obligation* – refers to the sum of the outstanding loan principal, unpaid principal, accrued interests and penalties, insurance premiums, taxes, foreclosure and other incidental expenses, if any.
- s. *Program* – refers to the Socialized and Low-Cost Housing Loan Condonation and Restructuring Program established under R.A. No. 9507.
- t. *Restructured Loan* – refers to the sum of the interest bearing and non-interest bearing obligation.

The *interest-bearing portion* refers to the total outstanding loan principal, unpaid principal, unpaid insurance premiums, taxes, foreclosure and other incidental expenses, if any.

The *non-interest bearing portion* refers to the remaining accrued interest due net of condoned portion, if any, to be

paid in equal monthly amortization within the term of the restructured obligation.

- u. *Substitutes* – refer to the assignees or transferees who have assumed the original loan of the member-beneficiary as supported by legal documents duly approved by SHFC.

RULE II COVERAGE

Section 1. **Covered Accounts** - The Program shall cover loans/obligations of delinquent member-beneficiaries under the CMP with accumulated arrearages equivalent to at least three (3) monthly amortizations as of 16 March 2009.

Section 2. **Eligible Applicants** - The following may apply for condonation and loan restructuring under this Program, provided, they comply with the eligibility requirements:

- a. All member-beneficiaries of covered accounts notwithstanding that the same beneficiaries have availed themselves of the benefits of a previous loan condonation and restructuring program from SHFC.
- b. The legal heirs of deceased member-beneficiaries with unpaid loan balances after application of the proceeds of the Mortgage Redemption Insurance.
- c. Substitutes/Beneficiaries/Borrowers who have assumed the original mortgage as supported by legal documents duly approved by SHFC.

Section 3. **Existing Condonation and Loan Restructuring Programs** - The Program shall be construed as separate and distinct from the existing condonation and loan restructuring programs being implemented by SHFC and the member-beneficiaries shall be given the option to choose which condonation and loan restructuring program he/she may avail of.

RULE III
TERMS AND CONDITIONS

Section 1. **Terms and Conditions** - The terms and conditions of the Program are as follows:

- a. **Loan Ceiling** - The original principal amount of the loans/obligations of the member-beneficiaries who shall apply for condonation and loan restructuring under the Program shall not exceed One Hundred Twenty Thousand Pesos (P120,000.00).
- b. **Implementation Period** - The Program shall be implemented for a period of eighteen (18) months reckoned from the effectivity of these Rules.

SHFC shall notify eligible member-beneficiaries through letter, publication or posting on how they can avail themselves of this Program *Provided*, That this condonation and loan restructuring may be availed of only once, except in case of force majeure, which prevents the MB from performing his/her financial obligation under the contract.

- c. **Downpayment and Processing Fee** - The delinquent member-beneficiaries or approved substitutes applying for condonation and loan restructuring shall not be charged a processing fee and no downpayment shall be required.
- d. **Condonation of Penalties and Interest on Unpaid Principal** - All penalties and surcharges shall be condoned upon approval of the application. The interest on unpaid principal (IUP) shall also be condoned representing the portion of accrued interest mandated by law (RA 9507) to be condoned.
- e. **Uncondoned Interest as Non-interest Bearing Component** - All remaining accrued interest shall be treated as non-interest bearing component to be paid in equal monthly amortization during the term of the restructured obligation.

- f. **Interest Rate on Restructured Obligation** – The interest bearing portion of the restructured obligation shall be imposed an interest rate of six percent (6%) per annum.
- g. **Term of the Restructured Obligation** – The maximum term of the restructured obligation shall be thirty (30) years reckoned from the date of approval of application for condonation and loan restructuring. In no instance, however, shall the loan term exceed the difference between the borrower's age at the time of application and age seventy (70).
- h. **Default** – An account shall be considered in default, if the member-beneficiary fails to pay three (3) consecutive monthly amortizations. In such cases, the SHFC may pursue foreclosure proceedings on the property, in accordance with the provisions of Item IV of these Rules.
- i. **Delayed Payments** – Penalty charges on any delayed payment on the monthly amortization of the restructured obligation shall be subject to 1/15 of 1% for every day of delay.
- j. **Mortgage Redemption Insurance (MRI)** – The original member-beneficiaries or approved substitutes or legal heirs shall be covered by MRI based on the total restructured loan.
- k. **Fire and Allied Perils (FAP) Insurance** – The FAP Insurance coverage shall be based on the premium of the original or restructured loan.
- l. **Assumption of Obligation** – In case of permanent physical incapacity of the member-beneficiary, his/her legal heirs and approved substitutes may assume payment of his/her outstanding loan: *Provided*, that in case of death of the member-beneficiary, the proceeds of the MRI shall be fully applied to his/her outstanding obligation. Any balance left of the obligation may be assumed by his/her legal heirs: *Provided further*, that such legal heirs and approved substitute must pass the eligibility requirements of SHFC before they are allowed to assume payment of the member-beneficiary's obligation.

**RULE IV
EXCLUSION FROM COVERAGE**

Section 1. **Accounts Excluded from the Coverage of R.A. No. 9507.** The following housing loan accounts are not covered under the Program:

- a. Any account without a single payment since take-out.
- b. An account that has been foreclosed and the redemption period has already expired;
- c. An account that has been surrendered to SHFC through dacion en pago, the title of which has already been consolidated/transferred in the name of SHFC.

**RULE V
REMEDIES AGAINST DELINQUENT ACCOUNTS**

Section 1. **Remedies** - SHFC shall continue to exercise its rights to foreclose the mortgage involving properties covered by the following:

- a. Excluded accounts in Rule IV of these Rules;
- b. Delinquent accounts of borrowers/member-beneficiaries who failed to avail themselves of the benefits under R.A. No. 9507; and
- c. Accounts of member-beneficiaries who availed themselves of the Program but subsequently defaulted on their payments.

Section 2. **Foreclosure** - In case of foreclosure of mortgage of delinquent accounts mentioned in the preceding paragraph, the foreclosure proceedings shall be exempt from publication in newspapers of general circulation, subject however, to the following conditions:

- a. The date and place of auction sale shall be posted for not less than twenty (20) days in at least three (3) conspicuous public

places in the city or municipality where the property is situated.

- b. It shall be subject to other applicable provisions of R.A. No. 3135, as amended, otherwise known as an “Act to Regulate the Sale of Property under Special Powers of Attorney Inserted In or Annexed to Real Estate Mortgages”.
- c. A written notice of foreclosure shall be sent to the member-beneficiaries at his/her last known address.

RULE VI AVAILMENT PROCEDURES

Section 1. **Availment Procedures** - The applicants for the Program shall comply with the following procedures:

- a. The member-beneficiaries, legal heirs or approved substitutes shall file the application for the Program at the Head Offices of SHFC or with any of its authorized regional/zonal offices.

A Special Power of Attorney (SPA) shall be accepted only in cases when the party is working overseas and the SPA presented has been executed and duly notarized prior to his/her departure from the country or duly authenticated by the Philippine Consul in the foreign country, or when the applicant is physically incapacitated as evidenced by a Medical Certificate.

- b. The Accounts Management Department and/or the Task Force on Remedial Management of Accounts of SHFC shall evaluate the application of the member-beneficiary/legal heir/approved substitute and if found qualified, require the latter to accomplish the Loan Restructuring Agreement or its equivalent and Promissory Note (PN), or other required documents.
- c. The approval of the application for the Program and signing of the Loan Restructuring Agreement, the Amendment of the Lease Purchase Agreement and PN shall be done by the duly authorized officer of SHFC.

- d. SHFC shall post the process flow or availment procedures of this Program in conspicuous places within its premises as well as in its website.

Section 2. **Computation of Total Outstanding Obligation and Restructured Loan** - The computation of total outstanding obligation and restructured loan shall be as follows:

- a. Determine the total outstanding obligation as of date of application as to principal, interests, penalties and other charges and expenses, including foreclosure expenses and insurance premiums, if any.
- b. Deduct all accumulated unpaid penalties and IUP.
- c. The remaining balance shall be divided into:
 - c.1 Interest bearing portion – The sum of the total outstanding loan principal, unpaid principal, unpaid insurance premiums, taxes, foreclosure and other incidental expenses, if any.
 - c.2 Non-interest bearing portion – All remaining accrued interest (after deducting IUP) to be paid in equal monthly amortizations during the term of the restructured obligation.
- d. The monthly amortization/payment of the restructured loan shall be composed of the amortization/payment for the interest bearing and the non-interest bearing portions, plus the MRI premium for the total restructured loan.
- e. The initial year's MRI prepayment premium plus documentary stamps shall be collected by SHFC from the MBs upon filing of application.
- f. Payment of the new monthly amortization shall commence on the next due date after date of application.

Section 3. **Payment** - The applicant may pay the restructured loan in lump sum or installments within the restructured period at the principal, regional or desk offices of SHFC or through the Land bank of the Philippines.

**RULE VII
INCENTIVES FOR PROMPT PAYMENTS**

Section 1. **Incentives for Prompt Payment of Monthly Amortization/Payment** – All member-beneficiaries whose monthly amortizations are paid on time shall be entitled to payment discount equivalent to 5% of interest portion of the monthly amortization, which shall be credited as advance payment.

**RULE VIII
AUTHORITY TO CONTINUE THE CONDONATION AND LOAN
RESTRUCTURING PROGRAM**

Section 1. **Authority to Continue Implementation** - Notwithstanding the lapse of the availment period as provided in Rule III of these Rules, the SHFC Board of Directors is authorized to continue the implementation of this Program.

Section 2. **Authority to Increase Ceiling** – SHFC is authorized to increase the amount of the loan ceiling every year after the effectivity of the Act.

**RULE IX
SEPARABILITY AND EFFECTIVITY**

Section 1. **Separability Clause** – If any provisions of these Rules are contrary to the provisions of R.A. No. 9507, the provisions not otherwise affected shall remain valid and subsisting.

Section 2. **Effectivity** – These Rules shall take effect fifteen (15) days after publication in any two (2) national newspapers of general circulation.