

**SUPPLEMENTAL GUIDELINES FOR THE
IMPLEMENTATION OF R.A. NO. 9507 (AN ACT TO ESTABLISH A
SOCIALIZED AND LOW-COST HOUSING LOAN RESTRUCTURING AND
CONDONATION PROGRAM, PROVIDING THE MECHANISMS THEREFOR
AND FOR OTHER PURPOSES)**

Section 1. **Rationale** – These Guidelines are being issued to supplement the Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9507, otherwise known as “An Act to Establish a Socialized and Low-Cost Housing Loan Restructuring and Condonation Program, Providing the Mechanisms Therefor and for Other Purposes”.

Section 2. **Coverage** - This housing loan restructuring and condonation program shall cover loans of delinquent accounts of the National Home Mortgage Finance Corporation (NHMFC) under the Folio I Program, Unified Home Lending Program (UHLP or Folio II accounts), the Community Mortgage Program (CMP), Acquired Assets Division (AAD) and Public Estates Authority (PEA) accounts with accumulated arrearages equivalent to at least three (3) monthly amortizations as of 16 March 2009 provided that the original principal amount of the housing loan shall not exceed P 2.5 million.

Borrowers who have already availed of benefits from previous NHMFC loan restructuring or condonation programs can still avail of the benefits of this program. The borrower shall be given the option to choose which NHMFC loan restructuring or condonation program he/she wishes to avail of.

Section 3. **Eligible Applicants** - The following may apply for loan restructuring and condonation under this program:

- a. All borrowers of covered accounts mentioned in Section 1
- b. The qualified legal heirs of deceased housing loan borrowers with unpaid balances after application of proceeds of the Mortgage Redemption Insurance
- c. The qualified legal heirs/successors-in-interest of housing loan borrowers who have assumed the original mortgage or of installment buyers who are assignees of Contract to Sell, as supported by legal documents duly approved by NHMFC

The NHMFC shall only recognize legal heir/s who has submitted to the Collection Group an affidavit of self adjudication for sole

heir or extra judicial settlement for two (2) or more heirs plus an affidavit of publication from the editor of the newspaper.

The NHMFC shall only recognize sucesors-in-interest or assumers who have applied with the Collection Group for a Deed of Sale with Assumption of Mortgage (DSAM).

Section 4. **Implementation Period** - The program shall be implemented for a period of eighteen (18) months starting 16 March 2009.

The NHMFC shall notify eligible borrowers through letter, publication or posting. This program may be availed of only once, except in case of force majeure, which prevents the borrower from performing his/her financial obligation under the restructuring contract.

Section 5. **Term of Restructured Obligation** - The maximum term of the restructured obligation shall be thirty (30) years reckoned from the date of approval of application for loan restructuring and condonation. 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) years old.

Section 6. **Down Payment and Processing Fee** - The delinquent borrower, legal heir or successor-in-interest applying for loan restructuring and condonation shall not be charged a processing fee and no down payment shall be required.

Section 7. **Availment Procedures** - Applicants for this program shall follow the subsequent procedures:

- a. The eligible borrower, legal heir or successor-in-interest shall file an application for loan restructuring and condonation with the NHMFC Head Office (2nd Floor – Collection Group) or in any of its Regional/Satellite Offices.
- b. NHMFC officers/counselors will provide borrowers with the updated computation sheet of the restructured loan, stating the interest and non-interest bearing portions of the loan. If borrower is updating in the NHMFC Head Office, the computation sheet will be obtained from the:
 - b.1 Collection and Accounts Management Group (2nd floor) for Folio II accounts and PEA accounts;
 - b.2 Folio I Accounts Servicing Unit (7th floor) for Folio I accounts;

- b.3 CMP Accounts Servicing Unit (6th floor) for CMP accounts; and
- b.4 Acquired Assets Division (7th floor) for Foreclosed accounts with unexpired redemption.

Borrowers can also update/restructure their accounts and get a copy of the updated original computation sheet in the NHMFC Regional/Satellite Offices.

- c. The NHMFC shall evaluate the application of the borrower and if found qualified, require the accomplishment/submission of the following:
 - c.1 Loan restructuring application form
 - c.2 Promissory Note (PN)
 - c.3 Original computation sheet
 - c.4 2 valid IDs with signature (NHMFC account ID, company ID, Passport, Driver's License, SSS, GSIS, etc.)
 - c.5 Notarized Special Power of Attorney (if not original borrower)
 - c.6 Marriage Contract (if represented by spouse)
 - c.7 Health Statement (if borrower is 60 years old and above and if the restructured loan is P1,000,000 and above)

A Special Power of Attorney (SPA) shall be accepted when the borrower 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.

- d. The Collection Group Head and Department Managers in charge of the servicing of the accounts shall be the approving officer/s for the Application for Loan Restructuring.
- e. The Accounting Division, the Electronic Data Processing (EDP) Division and the Securities and Mortgage Custodianship Division (SMCD) shall be furnished a copy of the duly accomplished and approved loan restructuring application form and computation sheet as basis for recording the transaction.

- f. NHMFC borrowers, legal heirs or successor-in-interests may call the following NHMFC telephone numbers for inquiries: 817-5693, 893-0475, 817-6502, 817-6027, 893-0057 and 892-5441.

Section 8. **Implementation of Loan Restructuring and Condonation Program** – Pursuant to R.A. 9507 and its IRR, the following should be implemented:

- a. Condonation of Penalties

All penalties and surcharges shall be condoned upon approval of the application.

- b. Condonation of a Portion of Accrued Interest

10% of the accrued/unpaid interest on the housing loan shall be condoned for borrowers who will avail of the program until the end of December 2009 and 5% of the accrued/unpaid interest on the housing loan shall be condoned for borrowers who will avail of the program from January to September 2010.

- c. Uncondoned Interest as Non-interest Bearing Component

All remaining accrued/unpaid interest shall be treated as non-interest bearing component to be paid in equal monthly amortization during the term of the restructured obligation.

- d. Interest Rate on Restructured Obligation

The interest bearing portion of the restructured obligation shall be imposed an interest rate of not more than the interest of the original loan or the latest restructured obligation or not more than twelve percent (12%), whichever is lower.

- e. Insurances

The NHMFC borrower, qualified legal heir or successor-in-interest shall be covered by Mortgage Redemption Insurance (MRI) based on the total restructured loan amount.

The property shall be covered by Fire and Allied Perils (FAP) Insurance which shall be based on the original loan value.

Borrowers whose application for restructuring has been approved shall pay a one (1) year pre-payment of Mortgage Redemption Insurance (MRI) and the corresponding Documentary Taxes.

A borrower who is 60 years old and above and/or the approved restructured loan is P1,000,000 and above shall be required to submit a Health Statement.

f. Default

A restructured account shall be considered in default if the borrower fails to pay three (3) consecutive monthly amortizations/payments. In such case, NHMFC may pursue foreclosure proceedings on the property, pursuant with R.A. 9507.

g. Due Date

The first due date of the restructured loan shall coincide with the next due date of the regular loan, which is the date of loan takeout. If the due date falls on the 29th, 30th and 31st of the month, the due date shall be on the same day of the succeeding months except for the months that has lesser days wherein the due date shall be on the last working day of the month. If the due date falls on a Saturday, Sunday or a holiday, the monthly amortization shall be paid on the working day before such date.

h. Payment

The eligible borrower must pay the restructured loan amount in lump sum or installments within the restructured period at the NHMFC Central, Regional/Satellite Offices and at selected branches of the Philippine National Bank (PNB), Land Bank of the Philippines (LBP) – for SALDED accounts, Development Bank of the Philippines (DBP), BPI Family Savings Bank and other accredited collecting agents.

The borrower must present the computation sheet issued by the NHMFC Collection Group upon payment to any of the above offices.

i. Delayed Payment

Borrowers who fail to pay the monthly amortization of the restructured loan when due shall be charged a penalty equivalent to 1/15 of 1% per day of delay on the unpaid insurances and interests.

j. Assumption of Obligation

In case of permanent physical incapacity of the borrower, his/her qualified legal heirs/successors-in-interest may assume payment of his/her outstanding loan. In case of death of the borrower, 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 qualified legal heirs/successors-in-interest, provided that such legal heirs/successors-in-interest must pass NHMFC's eligibility requirements before they are allowed to assume payment of the borrower's/installment buyer's obligation.

k. Incentives for Prompt Payment of Monthly Amortization

All regular accounts (1-2 months) as of 16 March 2009 whose monthly amortizations are regularly paid on or before their due date shall be entitled to an incentive of a 2% reduction on accrued/unpaid interest. Borrowers are advised to update/pay their accounts at the NHMFC Head Office or in any Regional/Satellite Offices to avail of this discount.

l. Remedies against Delinquent Accounts

NHMFC shall continue to exercise their rights to foreclose the mortgage, cancel the Contract to Sell or other remedies involving properties covered by the following:

- 1.1 Excluded accounts in Section 1, Rule of the IRR of R.A. 9507;
- 1.2 Delinquent accounts of borrowers/installment buyers who failed to avail themselves of the benefits under R.A. No. 9507; and
- 1.3 Accounts of borrowers who availed themselves of the Program but subsequently defaulted on their payments.

m. Foreclosure

In case of foreclosure of mortgage of delinquent accounts mentioned in letter l of Section 8 of these Guidelines, the NHMFC may pursue foreclosure proceedings which shall be exempt from publication in newspapers of general circulation, subject, however, to the following conditions:

- m.1 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.

- m.2 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”.
- m.3 A written notice of foreclosure shall be sent to the borrower at his/her last known address.

Section 8. **Computation** - The computation of total outstanding obligation and restructured loan shall be as follows:

- a. Determine the total outstanding obligation at the time of availment as to penalty, MRI, Fire, interest, principal, and other charges and expenses, including foreclosure expenses if any.
- b. Deduct all accumulated unpaid penalties, including 10 or 5% (depending on date of application of borrower) of the accrued interest.

In the case of borrowers who applied for loan restructuring and condonation under the Special Repayment Program (SRP), the amount of penalties to be condoned upon approval of application under R.A. 9507 shall be the accumulated penalties after the availment of the SRP.

- c. The remaining balance shall be divided into:
 - c.1 Interest bearing portion – This refers to the sum of the outstanding principal balance, unpaid principal, unpaid insurance premiums, foreclosure taxes and other incidental expenses, if any.
 - c.2 Non-interest bearing portion – This refers to the remaining accrued interest due net of condoned interest.
- d. The monthly amortization of the restructured loan shall be composed of the amortization for the interest bearing and the non-interest bearing portions.
- e. See sample computation in Annex A.

Sample Computation: (10% interest condonation)

Original Loan Details

Original Loan Amount	300,000.00
Interest Rate	16%
Term in Years	24
Original Monthly Amortization	4,230.45
Birthday	07/30/1971
Take-out Date	11/08/1991
Age upon loan take-out	20
Age upon loan restructuring	37

Assumption:

38 months in arrears

Balances as of 01/31/2009	
MRI Due	3,989.42
Fire Due	1,340.64
Interest Due	114,479.08
Principal Due	40,497.38
Interest on Unpaid Principal Due	9,652.98
Penalty Due	48,218.33
Theoretical Principal Balance	203,223.99

Loan Restructuring under RA 9507

Interest Bearing

Principal	40,497.38	
MRI	3,989.42	
Fire	1,340.64	46,277.44

Non-interest Bearing

Interest	114,479.08	
Interest on Unpaid Principal	9,652.98	
Penalties	48,218.33	172,350.39
Less:		
Condoned Interest (10%)	11,447.91	
Condoned Penalties	48,218.33	59,666.24

Total Arrearages for Loan Restructuring		<u>158,961.59</u>
--	--	--------------------------

Restructured Loan Amount

Interest Bearing Portion		
Interest Bearing Arrearages	46,277.44	
Outstanding Principal Balance	203,233.99	249,511.43
Non-Interest Bearing Portion		
Non-interest Bearing Arrearages (Unpaid Interest)	0.00	112,684.15
Consolidated Value		<u>362,195.58</u>

Total Restructured Loan (<i>Interest Bearing</i>)	249,511.43
Remaining term in months (RTIM)	360

*with 30 years extension

Interest Rate	12%	
Monthly Amortization (Interest Bearing Portion)		2,526.20
add: Unpaid Interest (Non-Interest Bearing Portion)		<u>313.01</u>
112,684.15 / 360		
30 years extension		
Monthly Amort + (Pe+I/RTIM)		
add: MRI		
249,511.43/1000 * .41		102.30
Fire		38.74
Total Monthly Amort. Due		<u><u>2,980.25</u></u>

NOTES:

- 1. No downpayment requirement*
- 2. For purposes of presentation, 10% of the unpaid interest shall be condoned*
- 3. Non-capitalized interest spread over the new restructured loan term*

Original Amortization	4,230.45
Monthly Amortization with non-capitalized interest	<u>2,980.25</u>
Difference in Amortization	<u><u>1,250.20</u></u>

Sample Computation: (5% interest condonation)

Original Loan Details

Original Loan Amount	300,000.00
Interest Rate	16%
Term in Years	24
Original Monthly Amortization	4,230.45
Birthday	07/30/1971
Take-out Date	11/08/1991
Age upon loan take-out	20
Age upon loan restructuring	37

Assumption:

38 months in arrears

Balances as of 01/31/2009

MRI Due	3,989.42
Fire Due	1,340.64
Interest Due	114,479.08
Principal Due	40,497.38
Interest on Unpaid Principal Due	9,652.98
Penalty Due	48,218.33
Theoretical Principal Balance	203,223.99

Loan Restructuring under RA 9507

Interest Bearing

Principal	40,497.38	
MRI	3,989.42	
Fire	<u>1,340.64</u>	46,277.44

Non-interest Bearing

Interest	114,479.08	
Interest on Unpaid Principal	9,652.98	
Penalties	<u>48,218.33</u>	<u>172,350.39</u>
Less:		
Condoned Interest (5%)	5,723.95	
Condoned Penalties	<u>48,218.33</u>	<u>53,942.28</u>

Total Arrearages for Loan Restructuring 164,685.55

Restructured Loan Amount

Interest Bearing Portion		
Interest Bearing Arrearages	46,277.44	
Outstanding Principal Balance	<u>203,233.99</u>	249,511.43
Non-Interest Bearing Portion		
Non-interest Bearing Arrearages (Unpaid Interest)	0.00	<u>118,408.11</u>
Consolidated Value		<u><u>367,919.54</u></u>

Total Restructured Loan (*Interest Bearing*) 249,511.43

Remaining term in months (RTIM) 360

*with 30 years extension

Interest Rate **12%**

Monthly Amortization (Interest Bearing Portion)	2,526.20
add: Unpaid Interest (Non-Interest Bearing Portion)	<u>328.91</u>
118,408.11 / 360	
30 years extension	
Monthly Amort + (Pe+I/RTIM)	
add: MRI	
249,511.43/1000 * .41	102.30
Fire	38.74
Total Monthly Amort. Due	<u><u>2,996.15</u></u>

NOTES:

1. *No downpayment requirement*
2. *For purposes of presentation, 5% of the unpaid interest shall be condoned*
3. *Non-capitalized interest spread over the new restructured loan term*

Original Amortization	4,230.45
Monthly Amortization with non-capitalized interest	<u>2,996.15</u>
Difference in Amortization	<u><u>1,234.30</u></u>