

Republic of the Philippines  
HOUSING AND URBAN DEVELOPMENT COORDINATING COUNCIL

**RULES AND REGULATIONS IMPLEMENTING  
REPUBLIC ACT NO. 9507 ENTITLED  
AN ACT TO ESTABLISH A SOCIALIZED AND LOW-COST HOUSING LOAN  
RESTRUCTURING AND CONDONATION PROGRAM, PROVIDING THE  
MECHANISMS THEREFOR AND FOR OTHER PURPOSES**

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**RULE I  
TITLE, AUTHORITY, PURPOSE, CONSTRUCTION AND DEFINITION OF  
TERMS**

Section 1. **Title** – These Rules shall be known and cited as the Unified Rules and Regulations Implementing 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. **Authority** – By virtue of Section 8 of R.A. No. 9507, an inter-agency committee, composed of all the government institutions and agencies enumerated under Section 3(a) of R.A. No. 9507 to be headed by the Housing and Urban Development Coordinating Council (HUDCC), is hereby created to promulgate the Implementing Rules and Regulations not later than 25 January 2009.

Section 3. **Purpose** – These Rules and Regulations shall provide agencies involved in the National Shelter Program (NSP), including but not limited to, the Government Service Insurance System (GSIS), the Social Security System (SSS), the Home Development Mutual Fund (HDMF) or Pag-IBIG Fund, the National Home Mortgage Finance Corporation (NHMFC), the Social Housing Finance Corporation (SHFC), the Home Guaranty Corporation (HGC), and the National Housing Authority (NHA), collectively known as the government financial institutions (GFIs) and housing agencies, with guidelines for the comprehensive implementation of the Act.

Section 4. **Construction** – These Rules shall be construed and applied in accordance with and in furtherance of the policy and objectives of the law. In case of conflict and/or ambiguity, which may arise in the implementation of these Rules, the concerned agencies shall issue the necessary clarification.

Section 5. **Definition of Terms** – As used in these Rules, the following terms shall mean as follows:

- a. Abandoned Unit – refers to a housing structure that has not been occupied by the borrower-owner for more than one (1) year from the date of delinquency.
- b. Condonation – means the relief given by law in the payment of penalties, surcharges and a portion of accrued interest to be determined by the governing boards of the GFIs and housing agencies within thirty (30) days from the effectivity of these Rules.
- c. Contract-to-Sell – pertains to a bilateral contract whereby the GFIs and housing agencies as sellers expressly reserve the ownership of the subject property despite delivery thereof to the buyers and bind themselves to deliver the title of the said property to the buyers upon full payment of the purchase price. It also refers to Conditional Contract to Sell and Deed of Conditional Sale.
- d. Dacion en Pago – refers to the mode of extinguishing an obligation whereby the debtor alienates in favor of the creditor property for the satisfaction of monetary debt.
- e. Delinquent Accounts/Borrowers/Installment buyers – refers to accounts/borrowers/installment buyers with at least three (3) months of unpaid monthly amortizations as of the effectivity of these Rules.
- f. Fire and Allied Perils Insurance – refers to a yearly renewable term insurance on the housing structure subject of a loan/sale against fire, lightning, earthquake shocks, typhoons and floods.
- g. 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.
- h. Foreclosed Accounts – 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.

- i. Foreclosure – refers to the legal procedure either judicially or extra-judicially, as long as due process is observed, for enforcing claims against a mortgagor in default of payment of his obligation.
- j. Legal Heirs – pertains 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.
- k. 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.
- l. Mortgage Redemption Insurance – refers to a yearly renewable term insurance where the borrower is covered for an amount equal to the restructured obligation. This also refers to Loan/Sales/Housing Redemption Insurance.
- m. 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.
- n. Program – refers to the Socialized and Low-Cost Housing Loan Restructuring and Condonation Program established under R.A. No. 9507.
- o. Restructured Obligation – 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.

- p. Socialized and Low-Cost Housing Loans/Obligations – refers to housing loans/obligations the original amounts of which are within the housing loan ceilings as determined by the HUDCC and the original principal obligations of which do not exceed P2.5 million. It also refers to the obligations of community/group/homeowners' associations (HOA), provided the principal amount of the individual member's loan does not exceed

P2.5 million. It further refers to installment receivables of GFIs and housing agencies covering sale of housing units/lots on installment basis, the selling price of which does not exceed P2.5 million.

- q. Successors-in-Interest – refers to the assignees, transferees and buyers of rights who have assumed the original loan as supported by legal documents, including Special Power of Attorney (SPA), duly approved by the GFIs and housing agencies.

## **RULE II COVERAGE**

Section 1. **Covered Accounts** – The Program shall cover loans/obligations of delinquent home borrowers/installment buyers of the institutions mentioned in Section 2 of this Rule with three (3) unpaid monthly amortizations/payments as of 16 March 2009 provided that the original principal amount of the housing loan/obligation shall not exceed Two Million Five Hundred Thousand (P2,500,000.00).

The Program shall also cover delinquent accounts of community/homeowners associations/group loans and local housing projects financed by NHA thru loan agreements provided the principal amount of an individual member's loan does not exceed Two Million Five Hundred Thousand (P2,500,000.00).

Section 2. **Covered Institutions** – The condonation and loan restructuring program shall cover all GFIs and housing agencies involved in the NSP of the government, including, but not limited to, the GSIS, SSS, HDMF/Pag-IBIG Fund, NHMFC, SHFC, HGC and NHA.

Section 3. **Eligible Applicants** – The following may apply for condonation and loan restructuring under this program, provided, they comply with the eligibility requirements:

- a. All borrowers/ installment buyers of covered accounts with any of the covered institutions mentioned in Sections 1 and 2 of this Rule, respectively, notwithstanding that the same borrowers/installment buyers have availed themselves of the benefits of a previous condonation and loan restructuring program from any of the covered GFIs and housing agencies.

- b. The legal heirs of deceased housing loan borrowers/installment buyers with unpaid loan balances/installments after application of the proceeds of the Mortgage/Loan/Sales/Housing Redemption Insurance.
- c. 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, including Special Power of Attorney (SPA), duly approved by or with the consent of the said GFIs and housing agencies.

Section 4. **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 the respective GFIs and housing agencies and the borrower/installment buyer 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. **Housing Loan Ceiling** – The original principal amount of the housing loans/obligations of the borrowers/installment buyers who shall apply for condonation and loan restructuring under the Program shall not exceed Two Million Five Hundred Thousand Pesos (P2,500,000.00).
- b. **Program Implementation Period** – The program shall be implemented for a period of eighteen (18) months reckoned from the effectivity of these Rules.

The GFIs and housing agencies shall notify eligible borrowers/installment buyers 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 borrower from performing his/her financial obligation under the contract.

- c. **Downpayment and Processing Fee** – The delinquent borrower/installment buyer, legal heir or successor-in-interest

applying for condonation and loan restructuring shall not be charged a processing fee and no downpayment shall be required.

- d. **Condonation of Penalties and Accrued Interest** – All penalties and surcharges shall be condoned upon approval of the application.

With respect to the accrued interest on the housing loan, a reasonable portion thereof shall also be condoned. However, the amount or percentage of the interest to be condoned shall be determined by the respective boards of the GFIs and housing agencies within thirty (30) days from the effectivity of these Rules.

All corresponding penalties and surcharges, which the NHMFC and SHFC shall have to pay their funders as a result of the implementation of the Act may be adjusted and 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 amortizations 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 not more than the interest of the original loan or the latest restructured obligation or not more than twelve percent (12%), whichever is lower.
- 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. **Utilization of Total Accumulated Membership Contribution** – The GSIS, SSS and HDMF/Pag-IBIG Fund may allow the borrower-applicant to use the total accumulated value of his/her membership contributions or savings to update his/her housing obligation.
- i. **Default** – An account shall be considered in default if the borrower fails to pay three (3) consecutive monthly amortizations/ payments. In such cases, the GFIs and housing agencies may pursue foreclosure proceedings or cancellation of Contract-to-Sell/

Deed of Conditional Sale/Conditional Contract to Sell proceedings on the property, in accordance with the provisions of Rule V of these Rules.

- j. **Delayed Payments** – Penalty charges on any delayed payment on the monthly amortization/payment of the restructured obligation shall be subject to the policies of the respective Boards of the GFIs and housing agencies, to be determined within thirty (30) days from the effectivity of these Rules.

The due date for purposes of computing penalty charges shall be subject to the policies of the respective Boards of the GFIs and housing agencies, which shall also be determined within thirty (30) days from the effectivity of these Rules.

- k. **Insurances** – Policies on the insurance coverage of restructured obligations shall be approved by the respective Boards of the GFIs and housing agencies within thirty (30) days from the effectivity of these Rules:

Mortgage Redemption Insurance/Sales Redemption Insurance (MRI/SRI) – the original borrower/installment buyer, legal heir or successor-in-interest shall be covered by MRI/SRI based on the total restructured loan amount.

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 borrower/installment buyer, his/her successors-in-interest may assume payment of his/her outstanding loan: *Provided*, that in case of death of the borrower/installment buyer, 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 successors-in-interest must pass the GFIs' and/or housing agencies' eligibility requirements before they are allowed to assume payment of the borrower's/installment buyer'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/effectivity of contract to sell/deed of conditional sale/conditional contract to sell;
- b. An account which housing unit has been abandoned by the borrower-owner for more than one (1) year from the date of delinquency;
- c. An account which housing unit is occupied by a third party other than the original registered beneficiary or his/her legal heirs/successor-in-interest;
- d. An account that has been foreclosed and the redemption period has already lapsed;
- e. An account under a contract-to-sell that has been cancelled;
- f. An account that has been surrendered to the GFIs or housing agencies through a dacion en pago, the title of which has already been consolidated/transferred in the name of the GFIs or housing agencies; and
- g. HDMF/Pag-IBIG Fund contract-to-sell accounts covered by the developers' buy-back guaranty.

**RULE V  
REMEDIES AGAINST DELINQUENT ACCOUNTS**

Section 1. **Remedies** – The GFIs and housing agencies shall continue to exercise their rights to foreclose the mortgage, cancel the Contract to Sell/Deed of Conditional Sale/Conditional Contract to Sell or other remedies involving properties covered by the following:

- a. Excluded accounts in Section 1 of Rule IV of these Rules;
- b. Delinquent accounts of borrowers/installment buyers who failed to avail themselves of the benefits under R.A. No. 9507; and

- c. Accounts of borrowers/installment buyers 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 Section 1 of Rule V of these Rules, 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 borrower/ at his/her last known address.

Section 3. **Cancellation of Contract to Sell/Deed of Conditional Sale/ Conditional Contract to Sell** – In case of contract to sell/deed of conditional sale/conditional contract to sell, the same is considered cancelled after thirty (30) days from receipt by the buyer of the notice of cancellation or demand for rescission of contract/deed by notarial act sent to his/her last known address or to the address of the subject property.

## **RULE VI AVAILMENT PROCEDURES**

Section 1. **Availment Procedures** – The applicants for the Program shall follow the following procedures:

- a. The borrower/installment buyer, legal heir or successor-in-interest shall file the application for the Program with the Head Offices of the GSIS, SSS, HDMF/Pag-IBIG Fund, NHMFC, SHFC, HGC, and NHA or with any of their authorized 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 GFIs and housing agencies shall evaluate the application of borrower/installment buyer/legal heir/successor-in-interest and if found qualified, require the latter to accomplish the 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 restructuring agreement or its equivalent and PN shall be done by the officers duly authorized by the GFIs and housing agencies.
- d. The GFIs and housing agencies shall post the process flow or availment procedures in conspicuous places within their respective premises.

Section 2. **Computation of Total Outstanding Obligation, Restructured Loan and Monthly Amortization/Payment** – The computation of total outstanding obligation and restructured loan shall be as follows:

- a. Determine the total outstanding obligation as of cut-off date, to be determined by the GFIs and housing agencies within thirty (30) days from application of the borrower/installment buyer/legal heir/successor-in-interest, 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 surcharges, including a reasonable portion of the accrued interest, the amount or percentage of which shall be determined by the respective boards of the GFIs and housing agencies, within thirty (30) days from the effectivity of these Rules.
- 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 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.

Section 3. **Payment** – The applicant may pay the restructured loan in lump sum or installments within the restructured period at the nearest branch/office of the GFIs, housing agencies or their authorized collecting institutions.

## **RULE VII INCENTIVES FOR PROMPT PAYMENTS**

Section 1. **Incentives for Prompt Payment of Monthly Amortization/Payment** – All accounts, the monthly amortizations/payments of which are paid on time, shall be entitled to incentives, including but not limited to, a reasonable discount on loan interest, the amount or percentage of which shall be determined by the respective boards of the GFIs and housing agencies, within thirty (30) days from the effectivity of these Rules.

## **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, Section 1 (b) of these Rules, the governing boards of the GSIS, SSS, HDMF/Pag-IBIG Fund, NHMFC, SHFC, HGC and NHA are authorized to continue the implementation of this Program.

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

## **RULE IX GENERAL PROVISIONS**

Section 1. **Issuance of Supplemental Agency Guidelines** – The respective boards of the GFIs and housing agencies may issue specific guidelines, systems and procedures for the implementation of R.A. No. 9507 which are consistent with the provisions of the Act, within thirty (30) days from the effectivity of these Rules.

Section 2. **Monitoring and Evaluation** – The HUDCC shall monitor and evaluate the implementation of these Rules. The HUDCC shall convene an Inter-Agency Committee to undertake periodic assessment, and provisions of the guidelines may be refined as the need arises.

Section 3. **Reporting** – The GFIs and housing agencies shall submit, through HUDCC, to the Committee on Urban Planning, Housing and Resettlement of the Senate and the Committee on Housing and Urban Development of the House of Representatives an annual report on the implementation of the condonation and loan restructuring program.

## **RULE X SEPARABILITY AND EFFECTIVITY**

Section 1. **Separability Clause** – If any provision of these Rules is contrary to the provisions of RA 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.