

HOME DEVELOPMENT MUTUAL FUND

Corporate Headquarters
Atrium of Makati
Makati Avenue, Makati City

HDMF Circular No. 248

TO: ALL CONCERNED

SUBJECT: GUIDELINES IMPLEMENTING THE PAG-IBIG FUND SOCIALIZED AND LOW-COST HOUSING LOAN RESTRUCTURING AND PENALTY CONDONATION PROGRAM

Pursuant to the approval of Republic Act 9507 on 13 October 2008, otherwise known as the “Socialized and Low-Cost Housing Loan Restructuring Act of 2008”, and the Implementing Rules and Regulations thereof, hereunder are the “**Guidelines Implementing the Pag-IBIG Fund Socialized and Low-Cost Housing Loan Restructuring and Penalty Condonation Program**”, duly approved by the HDMF Board of Trustees during the 255th meeting held on 30 March 2009.

I. GENERAL PROVISIONS

A. OBJECTIVES

The “Pag-IBIG Fund Socialized and Low-Cost Housing Loan Restructuring and Penalty Condonation Program”, hereinafter referred to as the “Program”, seeks to achieve the following objectives:

1. Assist delinquent borrowers/installment buyers to preserve their properties from foreclosure or cancellation of Contract to Sell by providing them the opportunity to update or restructure their accounts under affordable terms.
2. Provide relief to delinquent borrowers/installment buyers in this time of financial crisis through condonation of accumulated penalties and a portion of accumulated interest.
3. Provide a non-interest bearing scheme for the remaining unpaid interests spread equally during the term of the restructured loan.

B. COVERAGE

The Program shall cover delinquent accounts with at least three (3) months of unpaid amortization payments as of **16 March 2009**.

C. ELIGIBLE APPLICANTS

The following delinquent borrowers or installment buyers are eligible to apply for penalty condonation and loan restructuring under the Program, provided, they comply with the eligibility requirements mentioned in Item I-E hereof:

1. Borrowers/installment buyers of covered accounts mentioned in Item B hereof, notwithstanding that the same borrowers/installment buyers have availed themselves of the benefits of a previous penalty condonation and housing loan restructuring program from any government financial institutions (GFIs) and housing agencies.
2. Borrowers whose mortgages have been endorsed for foreclosure, or have already been foreclosed, subject, however, to the following conditions:
 - 2.1 The Pag-IBIG Fund was declared as the highest or lone bidder during the public auction;
 - 2.2 The period of redemption has not yet lapsed;
 - 2.3 All the costs and expenses incurred by the Fund relative to foreclosure, sale and custody of the properties shall be capitalized.
3. Borrowers whose loans are secured by an assignment of Contract to Sell (CTS) subject to the following terms and conditions:
 - 3.1 The CTS account is not yet cancelled by notarial act; and,
 - 3.2 The CTS account shall be subject to a new seasoning period of twenty four (24) months period, for purposes of conversion, reckoned from date of approval of loan restructuring;
4. Installment buyers under the "Magaang Pabahay, Disenteng Buhay Program" (HDMF Circular No. 232) subject to the conditions set forth under Section 3 above.
5. Installment buyers under CTS Generic transactions subject to the condition set forth under Sub-section 3.1 above.
6. Legal heirs of deceased borrowers / installment buyers with unpaid loan balances/installments after application of the proceeds of the Mortgage/Sales Redemption Insurance (MRI/SRI).
7. Successors-in-interest of 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 the Fund.
8. Borrowers whose loan terms have expired, provided that the borrowers are not beyond age 60 at the time of loan application.
9. Group Land Acquisition Development (GLAD) accounts, which shall be treated and restructured as a group loan.

D. EXCLUSION FROM COVERAGE

The following accounts are excluded from coverage and therefore, disqualified from availing of the benefits of the program:

1. Any account without a single payment since takeout, including those whose only payment resulted from its deduction from the takeout proceeds.
2. An account in which the housing unit has been abandoned by the borrower for more than one (1) year from the date of delinquency.
3. An account in which the housing unit is occupied by a third party other than the original registered beneficiary or his/her legal heirs or successors-in-interest.
4. **An account that has been foreclosed and another party is the winning bidder.**
5. An account that has been foreclosed and with expired redemption period.
6. An account under a Contract-to-Sell that has been cancelled.
7. An account that has been surrendered to the Fund through Dacion en Pago, the title of which had been consolidated or transferred in the name of the Fund.
8. A Contract-to-Sell account covered by developer's buyback guarantee.

E. ELIGIBILITY REQUIREMENTS

1. Delinquent borrowers / installment buyers shall be required to satisfy the following requirements to be eligible to avail of this Program:
 - 1.1 A non-Pag-IBIG member as successor-in-interest or legal heir shall be required to pay upfront the membership contributions equivalent to twenty four (24) months.
 - 1.2 An inactive member shall be required to reactivate his membership and update their contributions. He shall be referred to the NCR/Regional branch - MC Accounting Division.

In both cases, succeeding membership contributions shall be paid simultaneously with monthly housing loan repayments.

2. **Other loan eligibility requirements used in evaluating new loans shall be waived for a successor-in-interest; provided, he is able to show proof of conveyance and has been duly recognized by the Fund.**

Proof of conveyance shall include Deed of Sale with Assumption of Mortgage for REM accounts and Deed of Transfer of Rights with Assumption of Obligation for CTS accounts.

F. SEPARATE PROGRAM

The Program shall be construed as separate and distinct from the existing penalty condonation and loan restructuring program being implemented by the Fund under HDMF Circular No. 218. The borrower shall be given the

option which penalty condonation and loan restructuring program he may avail of.

G. IMPLEMENTATION PERIOD

The Program shall be implemented for a period of eighteen (18) months reckoned from approval of these guidelines.

The penalty condonation and loan restructuring under the Program may be availed of only once, except in case of force majeure, which prevents the borrower from performing his/her financial obligation.

H. PROCESSING FEE AND DOWN PAYMENT

Eligible borrowers applying for condonation of penalty and loan restructuring shall not be charged a processing fee. Likewise, no down payment shall be required.

I. CONDONATION OF PENALTIES

All penalties shall be condoned upon approval of application for loan restructuring.

J. CONDONATION OF PORTION OF UNPAID INTEREST

The Fund shall condone a portion of the unpaid interest in accordance with the following rules:

1. If the borrower applies for loan restructuring within the first twelve (12) months of the implementation period, ten percent (10%) of the **total interest arrearages** shall be condoned. However, if the borrower applies for loan restructuring thereafter, only five percent (5%) of the **total interest arrearages** shall be condoned.
2. In case of partial updating of at least fifty percent (50%) of the total arrearages, net of penalties condoned, an additional ten percent (10%) of the **total interest arrearages** shall be condoned.

Payments for partial updating shall be applied according to the following order of priorities:

- 2.1 Foreclosure expenses, if any
 - 2.2 Insurance premiums
 - 2.3 Unpaid HCF / HFC / MOF / LAF / MAF / SAF
 - 2.4 Interest
 - 2.5 Principal
3. In case of full updating of total arrearages or full payment of the outstanding obligation, an additional twenty percent (20%) of the **total interest arrearages** shall be condoned.

K. UTILIZATION OF TOTAL ACCUMULATED VALUE (TAV)

1. The borrower may use his TAV to the extent of his arrearages to update his housing loan obligation, except in the following circumstances:
 - 1.1 The borrower has an existing MPL/Calamity Loan, regardless of the status of the account.
 - 1.2 The borrower's TAV was used as down payment in a previous restructuring of housing loan.
 - 1.3 TAV offsetting occurred prior to cancellation of the CTS account or foreclosure of mortgage.
2. The cut-off date for TAV offsetting shall be the date of **approval** of application for loan restructuring.

II. TERMS AND CONDITIONS

A. ARREARAGES AND OTHER EXPENSES FOR RESTRUCTURING

Arrearages and other expenses for restructuring shall consist of the following:

1. Principal arrearages
2. **Uncondoned** Interest
3. Insurance Premiums
4. **Unpaid HCF / HFC / MOF / LAF / MAF / SAF**
5. **Foreclosure expenses** (if any) and other expenses

B. RESTRUCTURED LOAN AMOUNT

1. The restructured loan amount shall include the following:
 - 1.1 **Interest Bearing**
 - Principal (**inclusive of outstanding principal balance and principal arrearages**)
 - Insurance premium arrearages
 - Unpaid HCF / HFC / MOF / LAF / MAF / SAF
 - Foreclosure Expenses (if any) and other expenses
 - 1.2 **Non-Interest Bearing**
 - Uncondoned Interest
 - **Non-Interest Bearing Principal balance and arrearages of accounts previously restructured under HDMF Circular No. 218, if any**
 - **Remaining balance and arrearages of uncondoned penalties under previous restructuring programs, if any**

2. For a delinquent account which is in the process of foreclosure or those with redemption period that has not yet expired, the following foreclosure expenses shall be added to the amount to be restructured and shall be subject to interest:
 - 3.1 Filing Fee - computation shall be based on outstanding loan **obligation** in accordance with the Schedule of Fees issued by the Office of the Clerk of Court.
 - 3.2 Cost of publication of the extrajudicial foreclosure of mortgage
 - 3.3 Sheriff's Fee
 - 3.4 Notarial Fee
 - 3.5 Attorney's fees - for branches with retainers handling accounts for foreclosure.

The Fund shall not collect attorney's fees for foreclosure actions which are handled by internal lawyers of the Fund.
3. The cut-off date for the computation of outstanding loan **obligation** shall be the date of approval of application for loan restructuring.

C. INTEREST RATE

1. The interest rate of the original loan/restructured loan or twelve percent (12%) per annum, whichever is lower, shall be charged on the interest bearing portion of the restructured loan amount.
2. For an account originally taken out or **is previously restructured** under a two-interest structure, a single interest structure shall be adopted upon loan restructuring. The applicable rate shall be based on the **non-prompt interest rate of the original/previously restructured loan** or 12%, whichever is lower.
3. **Repricing**

Restructured loans with original loan values over Three Hundred Thousand Pesos (P300,000.00) shall be repriced every three (3) years, reckoned from the date of approval of loan restructuring. At the beginning of the fourth (4th) year and every scheduled date of repricing thereafter, the Fund shall reprice the outstanding balance of the restructured loans at rates based on prevailing market rates at point of repricing, which shall not be lower than the rates provided in Item II-C Sections 1 and 2 hereof. Provided, further that the initial repriced rates shall not be higher by more than two percent (2%) than the rates mentioned in the said sections. Provided, finally, that the subsequent repriced rates shall not be higher by more than two percent (2%) than the immediately preceding repriced rate.

D. TERM

The restructured loan shall be payable at a maximum term of thirty (30) years reckoned from the date of approval of loan restructuring. In no instance,

however, shall the loan term exceed the difference between the borrower's age at the time of **approval of loan restructuring** and age seventy (70).

E. LOAN PAYMENT

1. The restructured loan shall be paid in equal monthly amortizations in such amounts as may fully cover the principal and interest, as well as insurance premiums, foreclosure expenses (if any) and other expenses and advances, over the loan period.
2. **The total amount of unpaid interest not condoned shall not bear any interest but shall be paid in equal monthly amortizations over the term of the restructured loan.**
3. If the borrower is still employed, a salary deduction scheme through a collection agreement with his/her employer shall be preferred over other modes of payment. The borrower shall execute an Authority to Deduct the monthly loan amortization from his/her salary, and shall secure the conformity of his/her employer for the purpose.
4. In case a salary deduction scheme is not feasible, monthly payments on the housing loan may be collected through any of the following modes:
 - 4.1 Post-dated checks issued by the borrower, co-borrower or relatives up to the first civil degree of affinity or consanguinity, initially to cover the first twelve (12) monthly amortizations.

PDCs must be dated on the date that coincides with the date of approval of loan restructuring.
 - 4.2 Over-the-counter
 - 4.3 Through accredited collecting agents/banks
 - 4.4 Auto-debit arrangement with banks, or
 - 4.5 Through any collecting system which the Pag-IBIG Fund may adopt in the future.
5. **Should the due date fall on a non-working day, the monthly payments shall be paid on the first working day after the due date.**
6. The monthly payment shall be applied according to the following order of priorities:
 - 6.1 Membership Contributions (MC)
 - 6.2 Penalty (*if applicable*)
 - 6.3 MRI/SRI/Fire and Allied Perils Insurance
 - 6.4 HCF / HFC / MOF / **LAF** / MAF / SAF
 - 6.5 Interest
 - 6.6 Interest Bearing Principal**
 - 6.7 Non-Interest Bearing Principal**
7. In case there is deficiency after application of payment, such deficiency shall be satisfied by subsequent monthly payment, and any remaining

amount thereof shall be applied according to the order of payments mentioned above.

8. Delayed Payment

A borrower who fails to pay the monthly amortization/installment on the restructured loan on or before the due date shall be charged a penalty of one-twentieth of one percent (1/20 of 1%) of the amount due for the month per day of delay.

9. Both mandatory and upgraded contributions, if any, shall be paid together with the monthly payment under any of the following circumstances:
 - a. In case the member-borrower is self-employed or unemployed upon application for loan restructuring; or
 - b. In the event the member-borrower becomes unemployed anytime within the term of the loan.

However, for employed member-borrower, only the upgraded contributions shall be paid together with the monthly payment.

F. PREPAYMENT

1. A borrower may be allowed to prepay his loan in full or in part without prepayment penalty pursuant to Republic Act 7394.
2. **Accelerated Payments.** Any amount paid in excess of the required monthly amortization shall be applied automatically to the interest bearing principal, unless otherwise expressly requested by the borrower upon payment.

The treatment of excess payment by which the borrower prefers, shall be properly disclosed in Pag-IBIG Fund Receipt (PFR).

G. DEFAULT

The borrower shall be considered in default when he or any of his co-borrowers fails to pay any three (3) consecutive monthly amortizations and/or monthly membership contributions and other obligations on the loan.

H. EFFECTS OF DEFAULT

In case of default, the Pag-IBIG Fund shall pursue the following:

1. For restructured CTS accounts that are in default, a Notice of Cancellation shall be issued to the borrowers for immediate cancellation of the CTS by notarial act on the said accounts.
2. For restructured loans secured by Real Estate Mortgage (REM)

- a. The account shall be endorsed for foreclosure in accordance with the provisions of Item VI.B of these Guidelines.
- b. Default shall also constitute a lien on the Total Accumulated Value (TAV) of the member's savings with Pag-IBIG Fund.

I. INSURANCES

1. All restructured accounts shall be covered by the following insurances:
 - 1.1 Mortgage / 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.

In case the restructured loan exceeds P2 Million, the borrower shall meet the underwriting requirements and pay the appropriate premiums.
 - 1.2 Fire Insurance (FI) – the FI premium shall be based on the premium of the original loan.
2. The borrower shall be required to pay the first year's premiums for the mortgage/sales redemption insurance upon approval of the application for loan restructuring.

III. OTHER PROVISIONS

A. LOAN DOCUMENTATION.

1. For CTS account with an issued Notice of Cancellation, a Deed of Revocation on said notice shall be executed by the Fund, provided, that the 30-day period from date of receipt of the said Notice of Cancellation has not yet lapsed.
2. **For foreclosed accounts with issued Certificate of Sale, the Fund shall execute an Affidavit of Withdrawal of Registration of Certificate of Sale.**
3. The borrower / legal heir / successor-in-interest shall execute a Restructuring Agreement and a new Promissory Note (PN) consolidating all previous loans.
4. **The successor-in-interest / legal heir may opt to transfer the title and tax declaration in his name at point of restructuring.**
5. The borrower's ledgers for the original loan and/or restructured loan shall be consolidated, including the restructured obligation arising from these guidelines.

B. SEASONING PERIOD

The restructured CTS accounts (except CTS-Generic) shall be subject to a 24-month seasoning period. It shall be converted to Real Estate Mortgage on the 18th month, reckoned from the date of approval of loan restructuring.

C. CONVERSION EXPENSES.

1. For CTS accounts under the "Magaang Pabahay, Disenteng Buhay Program (HDMF Circular No. 232), the expenses to be incurred in the conversion of the Contract to Sell to Real Estate Mortgage shall be computed based on the amount of the original loan obligation, and broken down as follows:

BIR	2.0%
RD	1.5%
LGU	<u>1.0%</u>
	4.5%

- The conversion cost, net of any amount previously paid for the aforementioned purpose, shall be paid without interest by the buyer within the first eighteen (18) months of the new seasoning period. Said payment shall be made together with the monthly amortization/installment.
2. In case the amount retained or paid for conversion is not sufficient, the difference shall be shouldered by the buyer. In case of default and subsequent cancellation of the Contract-to-Sell, any amount paid for the conversion cost shall be applied to the total outstanding obligation.
 3. Upon conversion of the CTS to REM, the consideration for the Deed of Absolute Sale (DOAS) shall be based on the original contract price reflected on the CTS. However, the consideration for the Loan and Mortgage Agreement (LMA) and Promissory Note (PN) shall be based on the restructured loan amount.

E. INCENTIVE FOR PROMPT PAYMENT

1. An account shall be eligible for a prompt payment discount equivalent to five percent (5%) of the total interest due for the year; provided, it has an interest rate higher than six percent (6%).
2. Said discount shall be credited and applied to the **interest bearing** principal balance at the end of every year if the borrower is able to pay the amortizations/installments due on or before the scheduled due dates throughout the year.
3. Failure to pay on or before a scheduled due date shall entail the forfeiture of the said privilege for the remaining term of the restructured loan.

IV. ACTIONS TO BE TAKEN IN THE IMPLEMENTATION OF THE PROGRAM

A. REM ACCOUNTS

Upon approval of application for loan restructuring by the Billing and Collection Department/Loans and Contribution Management and Recovery Division, the Foreclosure Department/Loans and Contribution Management and Recovery Division shall stop all foreclosure activities relative to the account and shall take the following actions:

1. Defer the documentation of the petition for extra-judicial foreclosure (EJF).
2. Defer the filing of petition for EJF for accounts with complete documentation for extra-judicial foreclosure.
3. Request for suspension of the raffle of EJF cases for accounts with petitions filed.
4. Request for withdrawal of auction for accounts whose auction dates have been set.
5. Postpone securing Certificate of Sale (COS) for auctioned accounts.
6. Defer COS registration with the Registry of Deeds for accounts whose COS have been paid.

B. CTS ACCOUNTS

1. The Billing and Collection Department / Loans and Contributions Management and Recovery Division shall defer the issuance of Notice of Cancellation for eligible CTS accounts during the eighteen (18) months implementation period.
2. For eligible CTS accounts with issued Notice of Cancellation but the 30-day period has not yet lapsed, the same shall be considered revoked. Upon termination of the 18-month period, the Billing and Collection Department/ Loans and Contributions Management and Recovery Division shall immediately resume issuance of Notice of Cancellation to CTS accounts who failed to restructure their obligations under the program.

VI. REMEDIES AGAINST DELINQUENT ACCOUNTS

A. REMEDIES

The Fund shall continue to exercise its rights to foreclose the mortgage or to cancel the Contract-to-Sell or pursue other legal remedies involving properties of the following accounts:

1. Excluded accounts mentioned in Item I-D of these Guidelines.
2. Delinquent Accounts of borrowers/installment buyers who failed to avail of the benefits under this Program.

3. Accounts of borrowers/installment buyers who availed of the benefits of this Program but subsequently defaulted on their payments.

B. FORECLOSURE

In case of foreclosure of mortgage of delinquent accounts mentioned in Item VI-A hereof, the foreclosure proceedings shall be exempt from publication in the newspapers of general circulation, subject, however, to the following conditions:

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.
2. It shall be subject to other applicable provisions of Act No. 3135, as amended, otherwise known as an "Act to Regulate the Sale of Real Property under Special Powers of Attorney Inserted In or Annexed to Real Estate Mortgages".
3. A written notice of foreclosure shall be sent to the borrower/mortgagor at his/her last known address.

C. CANCELLATION OF CONTRACT TO SELL

In case of cancellation of Contract-to-Sell of delinquent accounts, 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 by notarial act sent to his/her last known address .

VII. AMENDMENTS

The Senior Management Committee may amend, modify or revise certain provisions of these guidelines provided, the amendments, modifications, and revisions thereof, are in furtherance of the objectives of this program and consistent with the mandate of the Fund under its charter and existing laws.

VIII. EFFECTIVITY

| These guidelines take effect immediately.


JAIME A. FABIANA
Chief Executive Officer

Makati City
June 10, 2009

DEFINITION OF TERMS:

Abandoned Unit	refers to the housing structure unoccupied by the borrower-owner for more than one (1) year from the date of delinquency.
Condonation	means the relief given by law in the payment of penalties, surcharges and a portion of accrued interest, subject to the approval of the governing boards of the GFIs and housing agencies.
Contract-to-Sell	pertains to a bilateral contract wherein 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 the Conditional Contract to Sell and Deed of Conditional Sale.
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.
Delinquent Accounts/Borrowers/ Installment Buyers	refers to accounts/borrowers/installment buyers with accumulated arrearages equivalent to at least three (3) monthly amortizations or payments.
Fire and Allied Perils Insurance	refers to the yearly renewable term (YRT) insurance on the housing structure subject of a loan/sale against fire, lightning, earthquake shocks, earthquake fires, typhoons and floods.
Force Majeure	refers to those events which can not be foreseen or, if foreseeable, can not 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.
Foreclosed Accounts	refer to those accounts that had been issued Certificates of Sale (COS).
Foreclosure	refers to the legal procedure for enforcing claims against a mortgagor in default of payment of his obligation.
Legal Heirs	pertain to persons who are called to succeed to the rights and interest of a deceased person either by provision of a will or by operation of the law.

Loan Restructuring	refers to the process wherein 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.
Mortgage Redemption Insurance	refers to a yearly renewable term insurance plan wherein the borrower is covered for an amount equal to the restructured obligation. This also refers to Loan/Sales/Housing Redemption Insurance.
Outstanding Loan 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.
Program	refers to Socialized and Low-Cost Housing Loan Restructuring and Condonation Program established under R.A 9507.
Restructured Obligation	refers to the sum of interest-bearing and non-interest bearing obligation. The interest-bearing portion refers to the total outstanding 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.
Socialized and Low-Cost Housing Loans/Obligations	refers to the housing loans/obligations, the original amounts of which are within the housing loan ceilings as determined by HUDCC and the original principal amounts do not exceed P2.5 M. These also refer to the loans/obligations of the community/group/homeowners' (HOA) accounts, provided the principal amount of the individual member's loan does not exceed P2.5 million. These further refer to installment receivables of GFI's and housing agencies covering sale of housing units/lots on installment basis, the selling price of which does not exceed P2.5 million
Successors- in- Interest	refer to the assignees, transferees and buyers of rights who had assumed the original loan as supported by legal documents duly approved by the GFI's and housing agencies.