

**GOVERNANCE POLICY COMMITTEE  
REPORT NO. 2020 - 02**

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Submitted by the Governance Policy Committee on 04 March 2020

Re : Recommended Board Actions

Presiding Chairperson : Dir. Felixberto U. Bustos Jr.

Attendees : Atty. Arnolfo Ricardo B. Cabling  
Atty. Emiliano C. Reyes  
Dir. George JT D. Aliño II  
Dir. Lyndon B. Catulong, Sr.  
Usec. Bayani H. Agabin

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The agenda for discussion by the Governance Policy Committee, viz:

**I. FOR DELIBERATION**

1. Corporate Work Plan FY-2020
2. Board Resolution No. 601, S. of 2017 Approval of the Expanded Delegation of Authority
  - Revised Traveling Guidelines amended to Office Order Nos. 19-0992, 17-06392019-1057
3. Updates on the case of Cynthia Cruz vs. SHFC et.al.

**II. OTHER MATTERS**

The Governance Policy Committee meeting was held on 04 March 2020 and discussed the abovementioned agenda and hereby reports to the Board, thus:

**DISCUSSION AND DELIBERATION**

**FOR APPROVAL**

**1. Corporate Work Plan FY-2020**

The Management, through Florencio Carandang, Jr., OIC-Vice President for Planning, reported on the proposed revisions to the Corporation's Work Plan for Fiscal Year 2020.

The timeline of the 2020 Corporate Work Plan, as follows:



As a result of the technical panel meeting with the Governance Commission for GOCCs (GCG), as well as the revalidation with the Management Committee, the proposed revisions to the 2020 Corporate Work Plan, can be gleaned in the table below, to wit:

SOCIAL IMPACT		Wt
SM1: Utilization of Housing Subsidies for the provision of Shelter Security and Improved Housing Quality		40%
<input type="checkbox"/> 35,000 assistance extended to ISFs		
Subtotal		40%
STAKEHOLDERS		Wt
SM2: Percentage of Satisfied Customers	10%	
<input type="checkbox"/> 90% of respondents gave a Satisfactory rating		
FINANCE		Wt
SM3: Improve Collection Efficiency		5%
<input type="checkbox"/> 73% Cumulative CER		
SM4: Increase Net Operating Income (Before Tax and Subsidy)	10%	
<input type="checkbox"/> Php 165 Million Net Operating Income		
SM5: Improve Budget Utilization Rate	10%	
<input type="checkbox"/> Not Less Than 90% of the GAA Allocation for SHFC Programs		
Subtotal		25%
INTERNAL PROCESS		Wt
SM6: Turnaround Time (in relation to Ease of Doing Business)	5%	
<input type="checkbox"/> Payment to the program clients (check prepared) within 20 days from submission and acceptance of complete takeout requirements		
SM7: Improve Support Systems for Effective and Efficient Processes	5%	
<input type="checkbox"/> Implementation of Phase 3 ISSP		
Subtotal		10%
ORGANIZATION		Wt
SM8: Attain Quality Management Certification	10%	
<input type="checkbox"/> Pass ISO Surveillance Audit for the Head Office	5%	
<input type="checkbox"/> ISO Certification for one (1) Regional Branch	5%	
SM9: Improvement of the Competency Base of the Organization	5%	
<input type="checkbox"/> Increase in the competency base		
Subtotal		15%

Strategic Measure	Board-approved 2020 Target		SHFC Proposal	
	Target	Wt	Target	Wt
SM 1: Utilization of Housing Subsidies for the provision of Shelter Security and Improved Housing Quality	35,000 assistance extended to ISFs	35%	35,000 assistance extended to ISFs	40%
SM2: Percentage of Satisfied Customers	90% of respondents gave a Satisfactory rating	10%	90% of respondents gave a Satisfactory rating	10%
SM3: Improve Collection Efficiency	Past Due Accounts' CER (>3 months to <60 months) = 64%	25%	73% Cumulative CER	5%
SM4: Increase Net Operating Income (Before Tax and Subsidy)	Php 165 Million Net Operating Income	3%	Php 165 Million Net Operating Income	10%
SM5: Improve Budget Utilization Rate	Not Less Than 90% But Not More than 100% of the DBM-Approved Corporate Operating Budget	2%	Not Less Than 90% of the GAA Allocation for SHFC Programs	10%
SM6: Turnaround Time (in relation to Ease of Doing Business)	50% of Board-approved Projects taken out on the same year	10%	Payment to the program clients (check prepared) within 20 days from submission and acceptance of complete takeout requirements	5%
SM7: Improve Support Systems for Effective and Efficient Processes			Implementation of Phase 3 ISSP	5%
SM7: Attain Quality Management Certification	<input type="checkbox"/> Pass ISO Surveillance Audit for the Head Office	5%	<input type="checkbox"/> Pass ISO Surveillance Audit for the Head Office	5%
	<input type="checkbox"/> ISO Certification for one (1) Regional Branch	5%	<input type="checkbox"/> ISO Certification for one (1) Regional Branch	5%
SM8: Decrease Number of Employees with Competency Gaps	Decrease by 30%	5%	SM9: Improvement of the Competency Base of the Organization	5%



To also be guided with the presentation, the 2020 Corporate Work Plan, as previously approved by the Board:

SOCIAL IMPACT		Wt	
SM1: Utilization of Housing Subsidies for the provision of Shelter Security and Improved Housing Quality		35%	
<input type="checkbox"/> 35,000 assistance extended to ISFs			
Subtotal		35%	
STAKEHOLDERS	Wt	FINANCE	Wt
SM2: Percentage of Satisfied Customers	10%	SM3: Improve Collection Efficiency	25%
<input type="checkbox"/> 90% of respondents gave a Satisfactory rating		<input type="checkbox"/> Past Due Accounts' CER (>3 months to <60 months) = 64%	
		SM4: Increase Net Operating Income (Before Tax and Subsidy)	3%
		<input type="checkbox"/> Php 165 Million Net Operating Income	
		SM5: Improve Budget Utilization Rate	2%
		<input type="checkbox"/> Not Less Than 90% But Not More than 100% of the DBM-Approved Corporate Operating Budget	
Subtotal		10%	30%
INTERNAL PROCESS	Wt	ORGANIZATION	Wt
SM6: Turnaround Time (in relation to Ease of Doing Business)	10%	SM7: Attain Quality Management Certification	10%
<input type="checkbox"/> 50% of Board-approved Projects taken out on the same year.		<input type="checkbox"/> Pass ISO Surveillance Audit for the Head Office	5%
		<input type="checkbox"/> ISO Certification for one (1) Regional Branch	5%
		SM8: Decrease Number of Employees with Competency Gaps	5%
		<input type="checkbox"/> Decrease by 30%	
Subtotal		10%	15%

The Management then presented the revised 2020 Corporate Work Plan, as follows:

- Target for Strategic Measure 3: 73% Cumulative CER
- Target for Strategic Measure 5: Not Less Than 90% of the GAA Allocation for SHFC Programs
- Target for Strategic Measure 6: Payment to the program clients (check prepared) within 20 days from submission and acceptance of complete takeout requirements
- New Strategic Measure and Target: Implementation of ISSP Phase 3
- Target for Strategic Measure on Competency: Improvement of the Competency Base of the Organization

The tables below provide for the recommendations and suggestions from Governance Policy Committee:

Strategic Measure	Board-approved 2020 Target		SHFC Proposal		GOVPOLCOM Recommendations
	Target	Wt	Target	Wt	
SM 1: Utilization of Housing Subsidies for the provision of Shelter Security and Improved Housing Quality	35,000 assistance extended to ISFs	35%	35,000 assistance extended to ISFs	40%	Rephrase the statement: Loans to 35,000ISFs  Rephrase the word assistance/grant so as not to be construed that it is free
SM2: Percentage	90% of respondents gave a	10%	90% of respondents gave a Satisfactory	10%	none

of Satisfied Customers	Satisfactory rating		rating		
SM3: Improve Collection Efficiency	Past Due Accounts' CER (>3 months to <60 months) = 64%	25%	73% Cumulative CER	5%	Renegotiate with GCG on the following recommendations:  Issues: a. Weight of the CER b. Measure for the loan (divide into: Current account Non-current account)  Adopt the NHMFC formula; or Adjust the CER with the formula 10% current accounts 5% past due accounts 15% CER
SM4: Increase Net Operating Income (Before Tax and Subsidy)	Php 165 Million Net Operating Income	3%	Php165 Million Net Operating Income	10%	none
SM5: Improve Budget Utilization Rate	Not Less Than 90% But Not More than 100% of the DBM-Approved Corporate Operating Budget	2%	Not Less Than 90% of the GAA Allocation for SHFC Programs	10%	none
SM6: Turnaround Time (in relation to Ease of Doing Business)	50% of Board-approved Projects taken out on the same year	10%	Payment to the program clients (check prepared) within 20 days from submission and acceptance of complete takeout requirements	5%	Re-phrase the statement to include: 100% payment
SM7: Improve Support Systems for Effective and Efficient Processes			Implementation of Phase 3 ISSP	5%	none



SM7: Attain Quality Management Certification	<ul style="list-style-type: none"> <li>Pass ISO Surveillance Audit for the Head Office</li> <li>ISO Certification for one (1) Regional Branch</li> </ul>	5% 5%	<ul style="list-style-type: none"> <li>Pass ISO Surveillance Audit for the Head Office</li> <li>ISO Certification for one (1) Regional Branch</li> </ul>	5% 5%	none
SM8: Decrease Number of Employees with Competency Gaps	Decrease by 30%	5%	SM9: Improvement of the Competency Base of the Organization	5%	none

In the course of discussion, the majority Members of the Committee recommended that for Strategic Measure 3: 73% cumulative Collection Efficiency Rate (CER) will require to be revised. They found the 5% weight of SM3 on the improvement of Collection Efficiency Rate as below the rate that was expected for SHFC expansion of programs for the year.

Usec. Agabin of the Department of Finance proposed to adjust the weights and the approach in coming up with the CER formula. He continued to state that it is better to use different measures and different percentage. He suggested that 10% should be allocated for the current accounts, another 5% for the past due accounts, to a total of 15% for the CER. In this way, he remarked that it is easier to get a higher CER for current accounts, and at the same time, have a watchful stance for the problematic accounts.

Director Aliño remarked that the thrust of the Corporation is not only to provide loan financing to ISFs, but also to give premium to collection. It should be a balanced process. He also recommended for a revision to the weight of SM3, and was also agreed upon by the other Committee members.

The Committee then advised for the Management to renegotiate with the GCG, and discuss the recommendations on SM3. The Management also took due notice of the other instructions.

The Committee deferred endorsement of the Management revisions to the 2020 Corporate Work Plan and required the Management to renegotiate with GCG and report it back to the Committee for deliberation and endorsement.

**After thorough deliberation, the Committee deferred endorsement of the proposed revisions to the Corporate Work Plan FY-2020.**

**The Management was advised to renegotiate and discuss with the GCG on the following Committee recommendations, to wit:**

- a) Strategic Measure (SM1) Social Impact - Paraphrase the statement;
- b) Strategic Measure (SM3) Improve Collection Efficiency
  - Revision on the weight and manner of (%) percent computation

- **Recommendation to revise the measures for the loan; make use of different approaches (i.e. between current accounts *vis* past due accounts)**

## **2. Board Resolution No. 601, S. of 2017 Approval of the Expanded Delegation of Authority**

- **Revised Traveling Guidelines amended to Office Order Nos. 19-0992, 17-06392019-1057**

SHFC President Atty. Arnolfo Ricardo Cabling reported on the proposed amendments to the expanded delegation of authority.

As a backgrounder, the Board through Board Resolution No. 601, Series of 2017, approved the Expanded Delegation of Authority.

The Management then presented the significant provisions, for consideration and deliberation, with the Governance Policy Committee's dispositive corollary instructions as shown in the tables below:

### **Recruitment and Promotion**

<b>EXISTING GUIDELINES</b>	<b>PROPOSED GUIDELINES</b>	<b>GOVPOLCOM Recommendations</b>
Chair VP for Human Resource and Management	SVP for Legal, Partners and Enforcement Group	none
Members	SVP Concerned VP Concerned Manager Concerned SOHEAI Representative	a. For SG 22 - below -with SOHEAI representative  b. Managerial levels – SHFC President approval VP position and above– Board approval  c. Creation of AVP position
	Process: The Committee will process and shortlist the applicants. This will then be referred to the Executive Vice President for review and recommendation then submitted to the President for approval.	none



## Local Trainings

EXISTING GUIDELINES	PROPOSED GUIDELINES			GOVPOLCOM Instructions
The VP for Human Resource Management approves all local travels	Requesting Unit	Recommending	Approval	Simplify the process: a. The VP for Human Resources will approve all local travels  b. The President will approve VP levels and above
	Concerned VP	VP for Human Resource Management will recommend local trainings including nominees/participants to the training	SVP for Corporate and Governance Group	

## Travel

*Cash Advance for Travel, Budget Utilization Request, Reimbursement/Liquidation, Post Activity Report (Except for Travel Orders and Itinerary of Travel, Justification)*

EXISTING GUIDELINES		PROPOSED GUIDELINES			GOVPOLCOM Instructions
Managers Below	Concerned VP	Requisitioning	Recommending	Approval	Simplify the process: a. Any deviation or justification shall still be approved by the President
Vice presidents under Corporate and Administration Support Groups	Executive Vice President	Other Employees	Manager	VP	
Vice President under Operations Group	President	Manager	Vice President	Senior VP	
		Vice President	Senior VP	Executive VP	
		Senior VP	Executive VP	President	
		Executive VP		President	

## Application for One Year Updating Scheme, Restructuring and Penalty Condonation

EXISTING GUIDELINES	PROPOSED GUIDELINES	GOVPOLCOM Instructions
Operations VP approves the application	Regional VP approves the application, upon recommendation of the concerned Manager.	a. Set a limit/ threshold: levels: Transaction level Amount level b. Present a review of the guidelines with expected number of applicants, and value and amounts

## Substitution Policy and Procedures

EXISTING GUIDELINES	PROPOSED GUIDELINES	GOVPOLCOM Instructions
Accreditation and Substitution Committee deliberates and approves substitution of MBs	Regional Substitution Committee to be composed of the Regional VP, concerned Managers and Regional Engineers will henceforth deliberate and approve substitution	none

Reasons:

- To effectively and efficiently aid the implementation of the Loan Restructuring and Penalty Condonation Program



- To diligently comply with the ARTA/Ease of Doing Business and Efficient Government Service Delivery Act
- To actually verify onsite the proposed substitution and check the abuses of arbitrary expulsion of MBs

### Procurement

EXISTING GUIDELINES	PROPOSED GUIDELINES				GOVPOLCOM Instructions
Procurement amounting to P100,000.00 and below is approved by the Executive Vice President	Amount	Requisitioning	Recommending	Approval	a. Provide the categories/items and corresponding value
	100K and below	Chief of Division	Manager	VP	
	Above 100K to 500K	Manager	Vice President	Senior VP	
	Above 500K to 1M	Vice President	Senior VP	EVP	
	Above 1M	Bids and Awards Committee		President	

### Request for prior authority to entertain

EXISTING GUIDELINES	PROPOSED GUIDELINES			GOVPOLCOM Instructions
None	Requisitioning	Recommending	Approval	a. Revise the terminology authority to entertain to: <u>Business Development Expense</u> b. Craft a policy on Representation with corresponding amounts
	Chief of Division	Manager	VP	
	Manager	Vice President	Senior VP	
	Vice President	Senior VP	EVP	
	EVP		President	

### Designation of Officer -in-Charge (OIC)

EXISTING GUIDELINES	PROPOSED GUIDELINES			GOVPOLCOM Instructions
None	Requisitioning	Recommending	Approval	none
	Chief of Division	Manager	VP	
	Manager	-	Vice President	
	Vice President	Senior VP	EVP	
	Senior VP	EVP	President	
	EVP	-	President	

### Overtime

EXISTING GUIDELINES	PROPOSED GUIDELINES	GOVPOLCOM Instructions
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		Requesting Unit	Recommendation	Approval	a. Craft a policy on overtime / manual of availment of overtime (i.e. SG level and number of hours and compensation)
	Monthly/Daily Basis	COD	Manager	VP (cc HR)	
	Request for approval on excess OT / CTO	OIC Manager (below SG 22)	VP	VP (HR)	

### Loan Documents

EXISTING GUIDELINES		PROPOSED GUIDELINES		GOVPOLCOM Instructions
Current		Proposed		none
Amount	Approval	Amount	Approval	
25M and below	VP	50M and below	VP	
25M above to 50M	EVP	50M above to 100M	SVP	
50M above	President	100M above to 200M	EVP	
		200M above	President	

### Administrative Documents

EXISTING GUIDELINES	PROPOSED GUIDELINES	GOVPOLCOM Instructions
	All contracts related to construction/renovation and administrative documents, regardless of the amount, will be signed by SVP for Corporate and Governance Group.	a. All <u>approved</u> contracts b. Include the basis of the law R.A 9184, Government procurement law

### Corporate and Legal Affairs

EXISTING GUIDELINES	PROPOSED GUIDELINES	GOVPOLCOM Instructions
	A. Delegate signing authority to the Senior Vice President for Legal, Partners and Enforcement Group for the Verification and Certification of Non-Forum shopping for pleadings in court, and quasi-judicial and administrative cases field on behalf of or against SHFC  B. Delegate authority to the Senior Vice President for Legal, Partners and Enforcement Group and lawyers from the	a. Include the authorization to appear before pre-trial proceedings



	<p>Legal Department to attend court-annexed (Judicial Dispute Resolution) and court-referred mediation (Philippine Mediation Center), in court cases or Conciliation and Mediation in administrative cases.</p> <p>In the absence of lawyers from the Legal Department, Senior Vice President for Operations and Vice Presidents in the Operations Group who are lawyers shall be required to represent SHFC for cases in their areas of operation.</p> <p>The terms and conditions of the compromise agreement, if any, are still subject to the approval of the Board</p>	
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The Management remarked that these processes will be crafted to a final copy along with the amendments and shall be consolidated and codified into SHFC's Manual of Approvals.

**Thereafter, the Committee recommendations and instructions were noted, and as advised, to be incorporated for the Board presentation.**

## **FOR INFORMATION**

### **3. Update on the Cynthia Cruz vs. SHFC et.al. case**

The Management, through Atty. Melanie Valenciano, Legal Department reported on updates on the case of Cynthia Cruz vs. SHFC, et.al.

The brief background of the case, are as follows:

- In 1997, P.S. Enterprise applied for an Abot Kaya Pabahay Fund (AKPF) Loan Application developmental loan with the National Home Mortgage Finance Corporation. It was secured by mortgaging as collateral the property designated as La Vista Cruz subdivision owned by Cynthia Cruz at al. The property is composed of thirty one (31) lots with a total area of 102,699 square meters or 10.2699 hectares situated in San Rafael, Tarlac City.
- P.S Enterprise defaulted and the property was foreclosed on 07 August 2008 by SHFC. The Certificate of Sale was annotated to the titles on 3 May 2011.
- The public bidding failed in 2008 and the property was offered for negotiated sale in 2009 but no interested party submitted their offer.
- It was only in 2014 that Cynthia Cruz et al. requested to redeem the property. However, considering that it was under negotiated sale method, Cynthia Cruz et al. and other interested parties, Fiesta Communities Inc. submitted their offer.
- Eventually, Cynthia Cruz et al. became the sole interested buyer with an offer amount of Php27.61Million. The BAC issued a Notice of Award in favor of Cynthia Cruz et al. with a condition that the terms of sale is subject to the approval of the Board.
- On August 28, 2014, the BAC informed the SHFC Board of Directors that it has endorsed the sale of the property to Ms. Cruz. However, the members denied the offer and proposed that the land be utilized as a social housing site.



- In 2016, Cynthia Cruz et al. filed a civil case for specific performance and damages with RTC Tarlac to compel SHFC to implement the Notice of Award.

The mediation and judicial dispute resolution proceedings of the case were presented, as follows:

- The SHFC Management presented the Plaintiff's proposal for settlement before the Board of Directors of SHFC. During the Board meeting in September 2018, the following counter-proposal was approved by the Board:
  1. The amount of Php2,473,200.00 will not be deducted from the total price. Hence, the amount of Php65,374 921.18 plus P1 will remain.
  2. The amount of Php26,513,457.77 must first be paid upfront (amount of foreclosure sale);
  3. There will be a 5-year moratorium after initial payment;
  4. Instalment payment of the remaining balance for 20 years with accrual of interest after the 5-year moratorium with the present value intact as it is;
  5. Proportionate Release of Titles to Cynthia Cruz et al. after payment of the value; and
  6. All the rights of Cynthia Cruz et al. be assignable.
- The counter-proposal was relayed to the Cruz. However, during the JDR hearing in October 2018, the Cruz's counsel manifested that the counter-offer of SHFC is not acceptable to the Plaintiff particularly the imposition of the interest. For failure to arrive at a settlement, the Judge terminated the JDR without prejudice to the any settlement between the parties before the pre-trial. As provided in the court procedure, the case will be re-raffled to other branch for the trial.
- The case was re-raffled to RTC Tarlac Branch 65 before Judge Maria Magdalena Balderama. The court set the Pre-Trial hearing.
- During the Pre-Trial conference on July 29, 2019, defendants SHFC through counsels attended the hearing. Defendant Binay through counsel also attended the hearing. However, the plaintiff and counsel failed to file their pre-trial brief and appear at the hearing.
- The counsels of defendants SHFC and VP Binay jointly moved for the dismissal of the case with prejudice which the Court granted. Defendants also move for the hearing on their respective Compulsory Counterclaims for Damages which the Court likewise granted.
- On October 1, 2020 hearing for the counter-claims, Plaintiffs still failed to appear. Hence, the defendant counsels moved for Ex-Parte Hearing on their Compulsory Counterclaims which the court granted.
- Defendant SHFC finished presenting their witness for their Counter-claims last November 2019 while SHFC finished the presentation of its witness last February 2020. SHFC also filed its Formal Offer of Exhibits on February 21, 2020.

On the current status of the case, the following was presented, to wit:

A. Counterclaims of Defendant Binay as stated in his Answer:

1. Moral Damages - Php1Million
  2. Exemplary Damages - Php1Million
  3. Attorney's Fees - Php500,000
  4. Litigation Expenses- Php100,000
- In the evidence presented during the hearing on the counterclaims, VP Binay presented billing invoices amounting to Php507,513.91

B. Counterclaims of Defendant SHFC as stated in their Answer:

1. Moral Damages - Php5Million

2. Exemplary Damages - Php5Million
3. Attorney's Fees and Litigation Expenses - Php500,000
  - SHFC and defendants presented receipts for litigation expenses and counsel allowance amounting to at least Php80,000.00

On a side note, President Cabling remarked that once the case is decided upon, the Management will present a proposal on the future plan to sell the property, if any. As of the present, the report was presented as a matter of information.

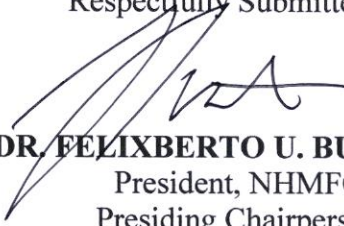
**Thereafter, the Committee duly noted the updates on the Cynthia Cruz vs SHFC et.al. case.**

## **II. OTHER MATTERS**

There were no other matters discussed. Thus, the Committee Meeting was adjourned at 12:40 p.m.



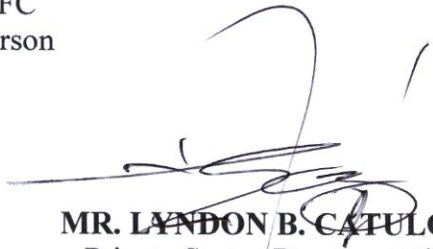
Respectfully Submitted



**DR. FELIXBERTO U. BUSTOS JR**  
President, NHMFC  
Presiding Chairperson



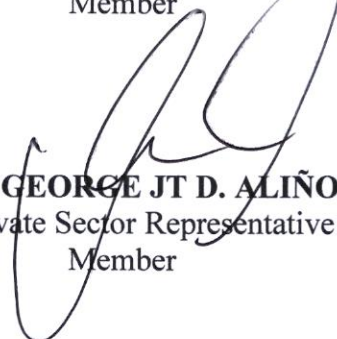
**ATTY. ARNOLFO RICARDO B. CABLING**  
President, SHFC  
Member



**MR. LYNDON B. CATULONG**  
Private Sector Representative  
Member



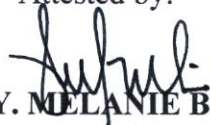
**ATTY. EMILIANO C. REYES**  
Private Sector Representative  
Member



**MR. GEORGE JT D. ALIÑO**  
Private Sector Representative  
Member

**USEC. BAYANI H. AGABIN**  
DOF Representative  
Member

Attested by:



**ATTY. MELANIE B. VALENCIANO**  
Acting Board Secretary