

13 April 2023

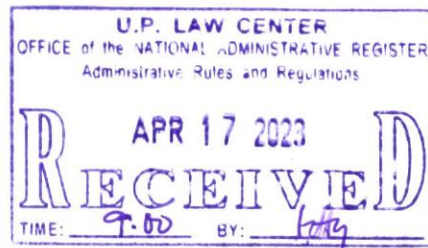
**OFFICE OF THE NATIONAL
ADMINISTRATIVE REGISTER**

(ONAR)

Room 208, Second Floor,
Bocobo Hall, UP Law Center
UP Diliman, Quezon City

Sir/Madam:

Greetings!



Pursuant to Section 3 of Book VII of the Administrative Code, which requires every agency in the Government to file with the University of the Philippines Law Center certified copies of every rule adopted by it, we are hereby transmitting three (3) Certified True Copies of the Social Housing Finance Corporation's (SHFC) "REVISED GUIDELINES ON THE ABOT-KAYA PABAHAY FUND DEVELOPMENTAL LOAN PROGRAM (AKPF-DLP)". SHFC AKPF Corporate Circular No.23-002, Series of 2023.

Thank you.

Very truly yours,

ATTY. KAROLINE J. ABELLO-TORDECILLA
Acting Board Secretary
Office of the Board Secretary



Kaagapay ng Komunidad sa Maginhawang Pamamahay

SHFC AKPF Corporate Circular No. 23-002

Series of 2023

SUBJECT: REVISED GUIDELINES ON THE ABOT KAYA PABAHAY FUND DEVELOPMENTAL LOAN PROGRAM (AKPF-DLP)

I. OBJECTIVES

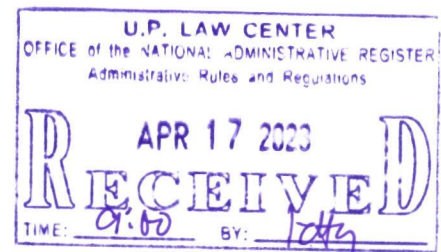
The Abot-Kaya Pabahay Fund-Developmental Loan Program (AKPF-DLP) aims to:

1. Align AKPF-DLP with the goals of the present administration's *Pambansang Pabahay Para sa mga Pilipino* (4PH) Program in addressing the housing needs and backlogs in the country;
2. Promote and increase site development/improvements and house building construction availment of eligible borrowers, project proponents through developmental financing at affordable rates;
3. Provide Local Government Units (LGUs), developers, contractors and joint venture entities access to affordable financing for the development of socialized housing projects and/or construction of housing units; and
4. Provide additional housing inventories through developmental financing.

II. COVERAGE

The program shall be open to the following project proponents:

1. Developers;
2. Local Government Units (LGUs);
3. Contractors; or
4. Joint Venture (JV) entities inclusive of developers, LGUs, or contractors.



III. LOAN PURPOSE

The proceeds of the AKPF Developmental Loan shall be used for any and/or combination of the following purposes:

1. Site development of residential subdivision units or condominium buildings; or
2. Augment the working capital requirement of SHFC-accredited project proponents for the construction and completion of the SHFC-approved or 4PH-enrolled housing projects.



The funding requirements of 4PH-enrolled vertical projects will be prioritized in the allocation/use of the AKPF-Developmental Loan Program.

IV. DEFINITION OF TERMS

Abot-Kaya Pabahay Fund-Developmental Loan Program (AKPF-DLP) – SHFC's loan program to finance site development/improvements and house/building construction in favor of the eligible borrowers using the Community Guided Financing (CGF) approach.

Community Guided Financing (CGF) Approach – the Community Association (CA), within the purview of People's Plan Approach, shall be guided by SHFC throughout the housing and settlement process in (1) deciding the location of the property, (2) selecting the developer or contractor, (3) housing concept and plans, and (4) the pricing.

Contractor's All-risk Insurance – refers to the comprehensive protection against losses to contract works, construction plant and equipment, construction machinery and liability against third party. Regardless of project location, vertical works should be insured against allied peril/calamities.

Developmental Loan – institutional loan of the project proponent with the AKPF-DLP for the development of residential subdivision, condominium buildings, and/or construction of housing units.

Eligible Borrowers – refer to the Contractors or Developers duly accredited by SHFC, with awarded contract/s from Community Associations, to construct housing projects under SHFC's programs.

House Construction – process of building or assembling infrastructure, primarily used to provide shelter.

Joint Venture – refers to the resulting partnership of at least two (2) project proponents under these guidelines and is duly registered with the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR), which seeks to combine their funds, land resources, facilities and services for the development of a housing project. This may also refer to an arrangement composed of at least two proponents wherein the land was contributed by one of the partners other than the developer or contractor.

Loan-to-Appraisal/Collateral Value (LTV) Ratio – acceptable ratio of the project proponent's total outstanding loan obligation to the appraised value of the collateral, which under this program, shall not exceed eighty percent (80%).

Local Government Unit – refers to a political subdivision of the Republic of the Philippines at the provincial, city, municipal, or barangay level.

Pambansang Pabahay Para sa Pilipino (4PH) Program – refers to the present administration's program which aims to address the housing needs of the Filipino families by developing 1,000,000 housing units every year for the next six (6) years or until the year 2028.

People's Plan Approach – refers to the process, actions, or activities wherein the organized communities contribute to the conceptualization and implementation of their housing settlement plan, with SHFC empowering them on the monitoring and supervision of their housing project.

SHFC-accredited Contractor – refers to a natural or juridical person or firm duly accredited by SHFC that undertakes a housing project on a contract-to-contract basis, in accordance with the approved plans and specifications.

SHFC-accredited Developer – shall mean a developer duly accredited by SHFC whether a natural or juridical person or firm:

1. That owns, buys, and/or improves raw land with labor and capital, and arranges for utilities and essential services, in order to provide housing projects; or
2. Engaged in the business of real estate development and offers them for sale or lease.

Site Development – refers to the improvement of the project site pertaining to establishment of roads, construction of drainage and sewerage system, and installation of water and electrical system.

Track Record – the recorded performance of the developer/contractor in housing, infrastructure and/or construction development for such number of years provided under these guidelines.

V. ASSESSMENT OF THE PROJECT PROPONENT

A project proponent which seeks to obtain developmental loan must undergo and pass SHFC's accreditation process to be conducted by the Partners Relations Division (PRD).

As part of due diligence, the PRD shall evaluate the proponent's eligibility, capacities, credentials, and qualifications pursuant to pertinent laws, corporate circulars, rules and regulations. PRD shall likewise assess the proponent based on financial stability, managerial capability, organizational structure, technical expertise, and delivery capability, among others.

Project proponents which successfully hurdle the accreditation process may avail of the developmental loan provided they comply with the documentary and project requirements (see Annex "A").

VI. LOAN AMOUNT

The amount of loan shall be based on actual project need as supported by cash flow projection, but not to exceed eighty percent (80%) of the project cost as validated by SHFC.

VII. INTEREST RATE AND LOAN MATURITY

1. Interest Rate – the loan shall bear an interest at the rate based on the prevailing rates of refinancing agencies at the time of the loan application, as may be determined by the Board.
2. Loan Maturity – The loan shall have a maximum term of thirty-six (36) months after each drawdown, subject to an earlier maturity based on project feasibility or availability of the take-out, whichever comes first.

VIII. LOAN RELEASE

1. Basis of release

All loan releases shall be based on cash flow projection of the project, subject to other conditions set herein.

2. Initial release

The initial release shall not be more than fifty percent (50%) of the appraised value of the collateral or actual need based on the cash flow projection and shall be in accordance with the project requirement as reflected in the approved work schedule, whichever is lower.

3. Subsequent releases

Succeeding releases shall be made only after ninety percent (90%) of the previous drawdown has been infused in the project; wherein at least seventy percent (70%) are already in place while twenty percent (20%) are in inventory of construction materials on-site.

The loan shall be released on staggered basis depending on work progress of the proponent and shall be subject to the applicable LTV ratio.

The outstanding loan obligation at any given time shall not exceed eighty percent (80%) of the collateral value.

IX. LOAN PAYMENT

The loan shall be paid as follows:

1. Interest

The interest shall commence/run from the date of initial release of the loan proceeds. The first interest payment shall be due on the date immediately following or after the fifteenth (15th) month from the date of initial release. Thereafter, the loan shall be paid quarterly until full settlement thereof.

2. Principal

The principal shall be paid in installment basis. The first principal payment shall be due on the earliest date of availability of funds as shown in the cash flow projection of the project. Thereafter, succeeding installments shall be paid quarterly until full settlement of the loan.

3. Assignment of Takeout Proceeds

At least 30% of the loan proceeds due the proponent from SHFC or any financial institution shall be applied to the outstanding principal and accrued interest at any time upon takeout of the loan/s of the eligible borrowers.

However, if no takeout is effected during the loan term, the principal and any accrued interest due thereon shall be due and demandable upon loan maturity.

4. Payment for Redemption of Collateral

Any housing unit in the project financed by the developmental loan that is to be sold through the loan facility of another financing institution, or in case of cash sales, must be redeemed by the proponent. The Transfer Certificate of Title (TCT) or Condominium Certificate of Title (CCT) for the said unit will be released to the proponent upon full payment of the redemption value.

5. Partial payments

Partial payments shall be accepted but any unpaid portion of the amount due shall be charged the applicable penalty. Any amount paid by the project proponent shall be applied in accordance with the following order of priority:

- a. Penalties, if any;
- b. All-risk Insurance Premium;
- c. Interest; and
- d. Principal, if applicable.

6. Penalty

Any portion of the amount due that remains unpaid after the due date shall be charged with a penalty of 1/20 of 1% for every day of delay.

X. COLLATERAL AND APPRAISAL OF THE PROPERTY

1. Title subject of collateral

- a. The property/ies must be registered under Torrens Title System and should be free from litigations, encumbrances, liens and adverse claims. In case of properties subject of CMP, the obligation shall be annotated as additional encumbrances.
- b. If the property is encumbered, the proponent must ensure cancellation of such liability before execution of the loan agreements. The proponent has sixty (60) days to facilitate the cancellation.
- c. The proponent shall assign a project controller who will certify to the validity of the project accomplishment report.
- d. SHFC may allow partial releases of collateral provided that, the loan to appraised value after the release of collateral is maintained at 80%.

2. Collateral security

The loan shall be secured by a first Real Estate Mortgage (REM) on the property subject of the loan, including the land and/or building/improvements comprising the housing project and any improvements that will thereafter exist on the project site. It must be covered by an Original/Transfer Certificate of Title (OCT/TCT) or Condominium

Certificate of Title (CCT) issued by the Registry of Deeds, free from all liens and encumbrances.

In case the value of the onsite collateral is insufficient, the loan may be secured by additional collateral acceptable to SHFC. This may come in the form of undeveloped, partially developed or fully developed residential lands, either adjacent or contiguous to the project site or located in other areas.

For LGUs, in case the subject property/ies cannot serve as collateral, the developmental loan shall be secured by a Deed of Assignment of Internal Revenue Allotment in favor of SHFC with the conformity of the Department of Interior and Local Government (DILG), Bureau of Local Government Finance (BLGF) and the Department of Budget and Management (DBM).

The LGUs, at its option, may also be allowed to execute a Deed of Assignment of Receivables, Rental Payments and Other Income from its commercial concessions in favor of SHFC, obligating the proponent to remit the said receivables/income to SHFC, and giving the latter the authority to collect, or to accept payment therefrom.

SHFC shall allow partial releases of collateral provided that the LTV ratio after the release of collateral is maintained at eighty percent (80%).

3. Appraisal

Appraisal of the property shall be conducted by SHFC using the principles, practices and approaches applied in the valuation of SHFC projects.

In case of discrepancy in the appraisal, or if SHFC's appraisal value is lower than the project proponent's price, such proponent may engage the services of a private appraiser accredited by the Bangko Sentral ng Pilipinas (BSP). The expenses for procuring the private appraiser shall be borne by the project proponent. Thereafter, it shall review its appraisal and shall come up with the final appraisal value of the property.

XI. ALL-RISK INSURANCE

The housing project subject of the developmental loan shall be covered by an all-risk insurance equivalent to the amount released.

The insurance coverage shall start from the date of initial loan release up to the full settlement of the loan obligation. However, housing units that are already sold or taken out under the retail housing programs shall be excluded from the insurance coverage under this program.

XII. DEFAULT

The borrower shall be deemed in default in any of the following cases:

1. Failure to pay the installment on the principal, or to pay the same in full, or failure to pay the interest, on the due date; or
2. Failure to comply within the approved construction schedule for land development and house construction without valid or justifiable reason as determined by the SHFC Regional Engineering Department (RED); or

3. Violation of or failure to perform any of the obligations in contracts entered into with AKPF-DLP.

XIII. EFFECTS OF DEFAULT

Upon the SHFC's determination of default, it may exercise singly or collectively any of the following remedies:

1. Declare the outstanding obligation together with accrued interest, penalties, fees and other obligations immediately due and demandable. Said amount shall likewise be subject to the following:
 - a. The unpaid amount shall continue to be charged with a penalty equivalent to 1/20 of 1% of the amount due for every day of delay;
 - b. It shall continue to bear interest at the stipulated rate from the time the obligation becomes due and demandable, which shall be the date of receipt of notice of default, until full settlement of the loan obligation;
2. Foreclose the mortgage securing the loan;
3. Apply, at any time, to the proponent's obligation under the loan agreement, its monies, which for any reason and under any contract, are presently or may thereafter come into the possession or control of SHFC;
4. Take-over the completion of the collateral housing project, inclusive of land development and/or house construction;
5. Enforce any and all rights, actions and remedies provided for under the loan agreement evidencing the loan; and
6. Other remedies provided by law.

XIV. FEES

1. Processing fee

The proponent shall pay a processing fee of one-fourth of one percent (1/4 of 1%) of the approved loan amount or Fifty Thousand Pesos (P 50,000.00), whichever is lower, inclusive of a non-refundable filing fee of Ten Thousand Pesos (P 10,000.00).

2. Service fee

The proponent shall pay a service fee of 0.05% of the outstanding loan amount for every drawdown.

XV. PROJECT IMPLEMENTATION SCHEDULE AND DELAYS IN COMPLETION

If for any reason the proponent fails to implement the project per schedule after the initial loan drawdown, except for fortuitous events and reasons of force majeure, the proponent shall pay a commitment charge of 0.5% per month of the succeeding drawdown after 60 days of project

statement on non-accomplishment based on targeted completion. The charge shall be deducted from the succeeding loan releases.

In case the proponent fails to avail the succeeding drawdown within six (6) months as provided in its cash flow program, all unreleased loan shall be automatically cancelled while the released loan(s) shall be deemed due and demandable.

XVI. PENALTY RATE AND LOAN SECURITY

1. Any portion of the amount due that remains unpaid after the due date shall be charged with a penalty of 1/20 of 1% for every day of delay.
2. Loan Security – A mortgage shall be annotated on the property owner's duplicate Title, free from liens and encumbrances.

XVII. APPROVING AUTHORITY

All applications for developmental loan shall be subject to the approval of the appropriate level of signing/approving authorities.

XVIII. AMENDMENTS

Amendments to these Guidelines shall be approved by the Senior Management pursuant to the authority bestowed on it by the SHFC's Board to formulate and issue guidelines and procedures in the furtherance of the objectives of this program consistent with the mandate of SHFC under its Charter and existing laws, subject to periodic report submission to the SHFC Board.

However, other amendments which are inconsistent with the approved Guidelines shall be elevated for the approval of SHFC Board.

XIX. MECHANISM ON RESOLUTION OF ISSUES

Any issue in the interpretation and implementation of these Guidelines shall, as much as possible, be resolved by the concerned authorized officer. Matters that are not thereby satisfactorily resolved shall be elevated to the next higher approving authority.

XX. REPEALING CLAUSE

All previous Circulars, Memoranda in conflict or inconsistent with the provisions and/or purposes of this Circular are accordingly repealed, amended or modified.

XXI. EFFECTIVITY

This Circular shall be effective immediately after its publication in the Official Gazette or in a newspaper of general circulation, and filing with the Office of the National Administrative Register (ONAR) of the University of the Philippines (UP) Law Center.


FEDERICO A. LAXA
President and CEO

Date approved: April 04, 2023

Annex "A"

CHECKLIST OF REQUIREMENTS

A. PRIOR TO LOAN APPROVAL

Prior to loan approval, the following requirements must be complied with/submitted:

1. *Requirements for Developer/Contractor*

- 1.1. Certificate of Accreditation from PRD/LGU
- 1.2. Development Permit
- 1.3. Environmental Compliance Certificate (ECC) by DENR
- 1.4. Present TCT of the developer/ contractor free from liens/ encumbrances
 - a. If title is registered in the name of another person, a Memorandum of Agreement stating the terms between the contract/ developer and the registered owner which also specifies the authority of the contractor/developer to mortgage the property must be submitted.
 - b. If the registered owner is a corporation, the following should be submitted:
 - i. Updated General Information Sheet (GIS)
 - ii. Secretary Certificate authorizing the representative to mortgage the property.
 - iii. SEC certified copy of the following:
 - Certificate of Registration
 - Articles of Incorporation
 - By-laws
- 1.5. Current City Assessor certified copy of Tax Declaration as Residential
- 1.6. Updated City Treasurer's certified copy of Tax Clearance

2. *Requirements for LGUs*

If the proponent is an LGU, it must submit a Certificate of Net Debt Service Ceiling and Borrowing Capacity issued by the Bureau of Local Government Finance (BLGF). Its primary partner-developer shall be evaluated based on their financial and technical capability.

3. *Project Requirements*

- 3.1. Site Suitability - the project must meet SHFC's minimum requirements for site suitability
- 3.2. Building Permit
- 3.3. Vicinity / Location Map
- 3.4. Zoning Certificate
- 3.5. License to Sell - must be submitted within six (6) months upon receipt of Notice of Approval (NOA), otherwise, the loan application shall be deemed cancelled.
- 3.6. Conceptual Plans
 - a. Site Development
 - i. Plans

- Subdivision Plan/ Site Plan
- Road Networks Plan
- Drainage System
- Electrical System
- *Water Works*
- *Earth works*

ii. Cost estimates

b. Building

- i. Plans and Specifications
 - Perspective and Floor plans
- ii. Cost Estimates

B. LOAN TAKE OUT (RELEASE OF LOAN PROCEEDS)

1. Disbursement Voucher (DV)
2. Budget Utilization Request (BUR)
3. SFHC Board Resolution/ Secretary Certificate on approval of the developmental loan
4. Letter of Guaranty (Commitment)
5. Certificate of Loan Review
6. Valid ID of developer/contractor or its representative
7. SPA of developer/contractor (in case of sole proprietorship/JV/Partnership)
8. Updated RD certified copy of present title
9. Crecom/Execom/Mancom Resolution
10. Certificate of Compliance with Crecom/ Execom/ Board conditions
11. Certificate of Compliance to technical findings, if any
12. Cash Flow Projection
13. Feasibility Study