

Udm. 096



NATIONAL HOME MORTGAGE FINANCE CORPORATION

NHMFC CORPORATE CIRCULAR NO. CMP - 013
11 December 1991
Series of 1991

TO : All CMP Originators and Borrowers
SUBJECT : Individualization of Community Title and Community Loan

These guidelines shall apply in cases where the title to the property as a collateral for community loan through the Community Mortgage Program will be subdivided into individual lots actually occupied by the member-beneficiaries prior to the eventual transfer of ownership thereof to the individual member-beneficiary.

1. TYPES OF INDIVIDUALIZATION:

- A. Individualization of Community Title
- B. Individualization of Community Loan

2. PROPERTY/PROPERTIES BE SUBJECT TO INDIVIDUALIZATION

Individualization shall apply to the entire property covered by the community project.

3. HOW INDIVIDUALIZATION MAY BE EFFECTED:

A. Individualization of Community Title

Under this type of individualization, a parcel of land owned by the community association shall be subdivided into individual lots of titles based on the individual lot allocations in accordance with the approved subdivision plan and reserving an area for open spaces and road lots.

The individual titles shall remain either in the name of the community association or under the names of individual member-beneficiaries until the community loan has been individualized.



Handwritten signature or initials

Titles for open spaces and road lots shall remain in the name of association.

The community association shall cause the individual titlings of its lots within one (1) year after the take-out or earlier, if the circumstances of the project warrants.

PROCEDURES:

1. For individualization of community title where individual title remains in the name of the community association.

- 1.1 Who may initiate individualization and when it could be implemented.

- a. NHMFC may initiate for individualization of title and termination of communal ownership after the lapse of the one-year period from date of land acquisition. However, before that, it can also initiate for individualization of title and termination of communal loan in case of default as provided in Sec. 19 and 20 NHMFC Corporate Circular No. CMP-001 dated April 17, 1989.

- b. The Community Association, through its originator, may request for individualization of title.

- c. In case the originator is no longer an active participant of the Community Mortgage Program (CMP), the request shall be initiated by the Community Association.

- 1.2 Loan Amount, Terms and Interest Rates.

The Real Estate Mortgage and its terms and conditions annotated in the Mother Title shall be annotated on the individual title.

- 1.3 Documentary Requirements.

- a. Subdivision plan approved by Housing and Land Use Regulatory Board (HLURB) and Land Management Bureau.

- 1.4 Expenses for individualization.

It shall be for the account of the Community Association.

2. For individualization of community title where the individual title will be transferred in the name of the number-beneficiary is discussed under the individualization community loan.



B. INDIVIDUALIZATION OF COMMUNITY LOAN

The communal loan is terminated and effected by subdividing the community property into several titles/lots based on the individual lot allocation of the member-beneficiary and the transfer of full and absolute ownership thereof in their names through a Deed of Sale. However, this is subject to the assumption by the member-beneficiary of the mortgage obligation corresponding to his lot through the annotation of the original mortgage on his title and the registration of an Amendment of REM dividing the mortgage obligations in accordance with the respective mortgage obligation of the beneficiary (including the mortgage obligations for site development, if any) and the execution of a promissory note for the unpaid balance of his purchase price.

The individualization of community title is a pre-requisite to individualization of the communal loan.

PROCEDURES:

1. Who may request for individualization of community loan.

1.1 Community Association - If it is the intention of the member-borrowers. Sec. 22 CMP Circular No. 001 dated April 17, 1989: within two (2) years after take-out provided that the account of the member-beneficiary is updated and provided that individual certificates of title can be transferred. (Lease Purchase Agreement between Community Association and member-beneficiary, Sec. 11).

1.2 NHMFC - In the event of default (Sec. 19 and 20, CMP Circular No. 001 dated April 17, 1989).

2. Loan Amount, Terms and Interest Rates.

2.1 Loan Amount -

The individual loans as adjusted (Sec. 11 of the Lease Purchase Agreement) shall, in the aggregate, be equivalent to the amount of loan previously released.

3. Term:

The term of the loan at the time of individualization shall be adjusted according to the terms of entitlement of the member beneficiary, i.e., according to the age of the borrower at the time of the individualization of the loan or the remaining term of the original loan at the time of individualization of whichever comes first.

3.1 Interest Rates.

The assumption of the loan obligation shall carry with it the old interest rate.

4. Status of Account

The account should be updated at the time of individualization.

5. Documentary Requirements.

Individualization of community loan shall be effected by the execution of the following documents.

5.1 Deed of Sale with Assumption of Mortgage

Individualized title is issued in the name of the member-beneficiary through a Deed of Sale with Assumption of Mortgage executed by the Community Association and the Member-Beneficiary with the conformity of the NHMFC providing that the member-beneficiary assumes the obligation corresponding to his title.

5.2 Amendment of Real Estate Mortgage.

The Real Estate Mortgage entered into by the Community Association is amended by splitting the loan. An amendment to the Real Estate Mortgage shall be executed by and between the CA and the originator with the individualization of loan and title as subject.

5.3 Promissory Note.

The Promissory Note shall be executed by the Community Association in favor of the Originator/Assignee undertaking to pay the balance of the purchase price. The promissory note shall carry the old interest rates and shall be applicable for the remaining term of the loan.

6. Annotation/Inscription.

The TCT corresponding to the individual title of the beneficiary shall contain the following annotations.

- a. Original Real Estate Mortgage (REM).
- b. Deed of Sale with Assumption of Mortgage.
- c. Amendment to Real Estate Mortgage.

7. Expenses for Transfer and Taxes

7.1 The member-beneficiary shall be responsible for the payment of the following expenses:

- a. Annotation of the Deed of Sale and/or Deed of Sale with Assumption of Mortgage.
- b. Amendment of Real Estate Mortgage.
- c. Real Estate taxes on the lot allotted to him.

7.2 Expenses for issuance of individual titles in the names of the respective member-beneficiaries and capital gains tax shall be for the account of the community association.

MODIFICATION:

To encourage individualization and simplify the procedure, the CMP Executive and Policy Committee and/or its Executive Officer may institute appropriate innovation in each aspect of these guidelines to suit the relevant circumstance of a project.

This circular shall take effect immediately.



OBIED C. CUTARAN
Officer-in-Charge/
Executive Vice-President