







NHMFC Corporate Circular No. CMP - 017 07 April 1994 Series of 1994

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: ORIGINATORS, COMMUNITY ASSOCIATIONS / COOPERATIVES AND MEMBER-BENEFICIARIES OF THE COMMUNITY MORTGAGE PROGRAM

To revitalize the Community Mortgage Program, the thorough preparation of projects and their effective implementation, and to increase the continued involvement of originators with their community associations in the areas of collection and individualization as well as promote sustainable growth, the following policies have been enacted by the CMP Policy and Executive Committee:

INDIVIDUALIZATION

- Shortening the period for the community association (CA) to unitize the project from a period of two (2) years upon take-out date to one (1) year. Failure to do so shall be considered as a ground for foreclosure in real estate mortgage and cancellation of sale in conditional deed of sale.
 - * Refer to No. X of this Circular.

This instruction will apply to PCL applications starting July 1, 1994.

2. Requirement to submit an approved subdivision instead of a schematic design before issuance of a Letter of Guaranty (LOG). On the 12th month after take-out, the Originator/CA shall submit the consolidated subdivision plan duly approved by the Land Management Bureau as well as the certified true copies of the individual technical descriptions of lots. Failure to do so shall be subject to corresponding sanction, as an event of default.

This instruction will apply to PCL applications starting July 1, 1994.

3. During the individualization process, the individual title shall be immediately transferred to the member-beneficiarie's name if the member is updated in his account whereas defaulting accounts shall be under the community association's (CA) name.

For immediate effectivity over existing projects and projects in the pipeline. Considering that a new system for CMP has been approved, this policy instruction may not be applicable under the new documentation.

- 4. Confirming the following measures to originators with projects two (2) years and over but have not undergone unitization:
 - 1.1 non-acceptance of new PCL applications;
 - 1.2 deferment of action on all in-process PCL applications until such time that CMG/PAMCRD validates and approves the required plan of action.

II. SUBSTITUTION

 In addition to default and waiver, violation of existing laws, ordinances, CA rules and NHMFC regulations shall be considered as cause for substitution of a member-beneficiary.

In these cases, NHMFC can initiate the substitution of the erring member-beneficiary and/or delegate the same to the CA officers/member-beneficiaries or the originator.

2. Non-acceptance of Payments of Member-beneficiaries by CA

In case the CA intentionally and repeatedly refuses to accept the offered payment of its member-beneficiary despite notice/advice from NHMFC, the same shall be considered an event of default by the CA and/or the officers responsible shall be subject to substitution immediately. NHMFC may effect the substitution and/or delegate the same to CA officers/member-beneficiaries or originator.

- 3. Grounds for Substitution
 - 1. Waiver
 - 2. Default
 - 3. Violation of laws, ordinances, CA rules and NHMFC regulations



- 4. Misrepresentation or fraud by CA+ officer and member-beneficiary subject of misrepresentation/fraud in the MLB
 - 5. Officers responsible for non-acceptance of offered payment.

Substitution can be initiated by NHMFC and/or delegated to CA officers/member-beneficiaries/originators.

* No. IV of this Circular

III. COLLECTION

1. Amendment to "Warranty Undertaking" (Form CMF-01)

To enable NHMFC to effectively call upon the Warranty Undertaking of the originator, the following provision shall form part thereof and other provisions inconsistent thereto shall be amended accordingly.

"In case of non-payment by the Community Association of its monthly amortization, the Originator shall undertake to assume the payment of the arrearages and/or the entire obligation."

2. Non-Submission of Remittance Reports and Abstract of Collections

In the absence of the Abstract of Collection and whenever the Remittance Report and Abstract of Collection does not tally, payments for monthly amortizations shall be distributed pro-rata among the member-beneficiaries.

3. Collection Efficiency

To increase collection and lessen delinquency, a 90% collection performance shall be enforced upon originators on their existing projects and new PCLs shall not be issued until the required plans of action shall have been validated and approved by CMG.

This instruction shall be applicable to PCL applications received starting July 1, 1994.

IV. LIVELIHOOD PROGRAM

A memorandum of agreement with the appropriate office/agency for establishing a livelihood program within one (1) year from take-out date shall be a requirement before a project can be accredited/taken-out. This shall not be required if a livelihood cooperative among the members already exists or the member-beneficiaries are members of any of the three (3) funding agencies.

This instruction shall apply to PCL applications starting July 1, 1994.

V. SUBMISSION OF CERTIFICATE OF LOAN ELIGIBILITY (CLE)

Certificates of Loan Eligibility (CLEs) shall he submitted before issuance of LOG instead of upon individualization as provided for NHMFC in Memorandum Order No. 001 so as to facilitate classification of beneficiaries who are members of the three (3) funding agencies.

This instruction shall apply to PCL applications starting July 1, 1994.

VI. REQUIREMENTS FOR CMP ORIGINATORS

1. Residency Requirements for New Originators

To prevent unscrupulous types of CMP originators and to ascertain that only deserving originators shall be accredited, the following requirements are hereby prescribed:

- 1.1 An applicant should be in existence for at least two (2) years prior to accreditation or majority of its executive officers/Board directors should be members of organizations existing for at least two (2) years; and
- 1.2 the applicant or majority of its officers/Board directors should be involved in at least two (2) community-and development-assisted projects.

The accreditation of projects and originators shall be made distinct and separate.

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 Updating of Corporate Documents of Existing CMP Originators

An active CMP originator should annually update its corporate profile including the list of its set of officers and financial statement, if applicable.

3. New Accreditation for Inactive Originator

An originator which has been inactive for two (2) years from take-out of its last project shall be subject to new accreditation and its track record shall be considered for approval/disapproval.

VII. ZONAL VALUATION
(In relation to CMP Instruction No. 32, Section IX)

In lieu of the certificate of zonal valuation, a certificate from the regional/local BIR attesting to its latest proposed zonal valuation shall be required as basis for the ceiling price of the loanable amount.

In lieu of both a zonal valuation and proposed zonal valuation, a certification from the regional BIR or the local Assessor's Office on the actual, prevailing valuation rates shall be submitted as basis for the same.

This instruction shall cover PCL applications received as of date hereof as well as pending PCL applications and applications granted PCLs.

VIII. NOTARIZED MASTERLIST OF BENEFICIARIES (MLB)

It has been observed and verified that some signatories of the MLB are minors, already deceased, fictitious, or the civil status of the members are vague, and individual assignment of lots is in dispute and there are instances of double purchases and other forms of fraud. To prevent these irregularities, the MLB and any amendment thereof shall be notarized and the joint affiants should be the originator or its duly authorized officer and/or the CA President who shall be solidarily and jointly responsible and liable for the negligence, misrepresentation and/or other anomalies in the MLB.

For an erring originator, its accreditation shall be revoked.

For CA president/officers, the fault shall be a cause for expulsion and/or substitution.

The lot assigned to the member-beneficiary who is the subject of fraud shall be immediately vacated and subject to substitution.

IX. UNDERTAKING TO SET UP INFRASTRUCTURE

Before issuance of a PCL, the originator shall execute an undertaking to set up sanitation/sewerage infrastructure and water facilities within one (1) year from take-out. Failure to comply with the undertaking shall be a ground for disaccreditation.

This instruction will apply to PCL applications starting July 1, 1994.

X. NEW SYSTEM FOR CMP

As approved by the CMP Policy and Executive Committee and in view of the present problems encountered in processing, collection and individualization, a new system for CMP shall be implemented and documentation shall be reformed as follows:

- a. A Deed of Absolute Sale shall be executed by the Landowner in favor of NHMFC over the offered property/collateral;
- b. Title (TCT) of the property shall remain under NHMFC's name;
- A Conditional Deed of Sale (CDS) shall be executed by NHMFC in favor of the community association and/or member-beneficiaries;
- d. The CA shall execute the appropriate document in favor of the member-beneficiaries.

The system will simplify documents, hasten the processing of projects, ensure individualization and collection efficiency.

The new system shall be implemented on July 1, 1994.

Unless otherwise specified, these policy instructions shall take effect immediately and any provision inconsistent thereto is hereby revoked and/or amended accordingly.

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