

Social Housing Finance Corporation

a subsidiary of National Home Mortgage Finance Corporation

Corporate Circular HDH No. 14-001
Series of 2013

**Subject: IMPLEMENTING RULES AND REGULATIONS (IRRs) FOR
HIGH DENSITY HOUSING (HDH) PROGRAM LAND
ACQUISITION LOAN**

Section 1. Purpose

This Implementing Rules and Regulations, hereinafter called the IRR, is formulated for the purpose of clarifying and prescribing the necessary rules and regulations of Corporate Circular No. 13-026, otherwise known as the "*High Density Housing Project Guidelines*."

Section 2. Declaration of Policy

The provisions of this IRR are in line with President Benigno S. Aquino III's goal of clearing the easements of structures along the waterways and danger areas in Metro Manila and providing the affected families with near-site, in-city and near city relocation.

Section 3. Scope of the IRR

This IRR shall apply to lot acquisition loan only. Pursuant to Section 6 of the "*High Density Housing Guidelines*" the provisions for lot acquisition under the Community Mortgage Program (CMP) shall apply suppletorily.

Section 4. Definition of Terms

For purposes of this IRR, the following terms or words shall mean or be understood as follows:

- a) *High-Density Housing*- refers to a housing strategy wherein a significant number of informal settler families are accommodated in multi-storey building. It also refers to the number of families per hectare pursuant to BP 220. This may be implemented by either an in-city or near site or near city relocation or land sharing arrangement.
- b) *Partner-Stakeholders*- refers to the Social Housing Finance Corporation's (SHFC) partners and housing stakeholders whose roles in operationalizing the High Density Housing program are crucial. These partners and housing stakeholders are the following:

b.1 *National Government Agencies (NGAs)*- refers to government agencies who will be working closely with SHFC in the implementation of the program through networking and linking of different government initiatives.

b.2 *Local Government Units (LGUs)*- LGUs are vital in communicating the program to the community and/or integrating local development plans in the operational needs of the program. Further, LGUs may apply for refinancing of their Local Housing Program initiatives.

b.3 *Community Association (CA)*- An organized homeowners association or cooperative duly registered with the appropriate government entities and whose members meet the necessary eligibility requirements under the HDH program.

b.4 *Private Sector*- refers to private organizations and/or individuals whose role involves providing assistance in the form of funding, knowledge/expertise and training.

c. *Loan Agreement* - The loan agreement is the contract between the CA and SHFC, whereby SHFC obligates itself to lend money to the CA and its members for the acquisition of a near site property that is beyond-3 meter-easement property where they are located, in-city or near city relocation. The CA is required to make payments under the terms and conditions stated under the said agreement.

d. *Purchase Price* - This refers to the amount agreed upon by the CA and the landowner as consideration for the sale of the latter's property. The amount shall be the result of a free and open negotiation and agreement between the landowner and the CA.

e. *Appraised Value* - This refers to the property valuation made by SHFC or a qualified BSP accredited external appraiser of the project site/lot subject for HDH loan application.

f. *Loan Entitlement* - This refers to the total amount of loan a CA member is qualified to apply for under the HDH.

g. *Loan Amount* - The HDH loan amount shall be based on: (a) sum of the loan entitlement of the CA members; (b) purchase price between the CA and the landowner, or (c) the appraised value of the property, whichever is lower.

Section 5. Collateral Appraisal

SHFC shall adopt the generally accepted principles, practices and approaches in the valuation of real properties and the CMP Appraisal Methodology Manual approved by SHFC Board of Directors on July 27, 2006.

An appraisal conducted by accredited private appraisers may be resorted to by the community association for consideration as basis of the loan amount. However, SHFC shall

only consider the appraisal of qualified professional appraiser accredited by the Bangko Sentral ng Pilipinas (BSP) or the appraisal made by other government key shelter agencies, i.e. PAG-IBIG, NHA. In any case, SHFC shall review and validate the applicability and reasonableness of the appraisal value made, which SHFC may either conform to or modify with its own appraisal value.

Should there still be a disparity of expert opinion as to the applicability and reasonableness between the appraisal values made, then SHFC may engage the services of the professional appraiser accredited by aforesaid government entity in order to reconcile the variance; Provided, that in the event of irreconcilable variance then the matter shall be elevated to the Board.

Section 6. Eligibility

a) The community association/organization must possess the following qualifications:

a.1 Duly registered with the Housing and Land Use Regulatory Board (HLURB) or the Cooperative Development Authority (CDA) in good standing except those which had been registered for less than a year whose track record cannot yet be established.

a.2 With well-defined project management structure and other indicators that can show manageability for the project, viz:

a.2.1 the CA has identified the officers in-charge for the HDH loan project and has defined the roles and responsibilities of the HDH loan project officers;

a.2.2 the CA has defined the clusters/groups/working committees for the HDH housing project responsible for project planning, project management and estate management; and

a.2.3. the CA has defined the clusters/groups/working committees for the collection of the HDH loan amortizations

a.3 With organizational plans to ensure repayment of the loan, including the enumeration of the measure/s for those members with affordability problems.

b) The member-beneficiary (MB) must possess the following qualifications at the time of the filing of the lot acquisition loan:

b.1 must be at least eighteen (18) years old

b.2 must not be a beneficiary of any housing program of the government

b.3 duly certified by the Department of Interior and Local Government (DILG) as resident of the waterways or living in danger areas

Section 7. Loan Entitlement

The maximum loanable amount for each CA member under the High Density Housing Program is PhP450,000¹. This may be further increased if HUDCC increases the loan ceiling for Medium Rise Buildings for socialized housing.

¹ Increased from P400,000 to 450,000 per HUDCC Resolution No.1 series of 2013 dated October 16, 2013.

Section 8. Interest Rate and Loan Term

The interest rate of the loan is 4.5% per annum payable for a maximum period of 30 years.

Section 9. Payment of the Property/ Release of the Loan

Payment of the property/release of the loan shall be made under any of the following schemes:

- a) Full payment of loan proceeds when all documentary requirements are met and the title to the property is already transferred in the name of the CA and has an annotation of the mortgage; or when an accommodation mortgage on the collateral property securing the loan is duly registered/annotated on the landowner's Transfer Certificate of Title (TCT). In this case, a letter of conformity from the landowner shall be submitted to SHFC agreeing to undertake the following: execution of an accommodation mortgage in favor of SHFC, annotation of the accommodation mortgage on the landowner's TCT, surrender of the original landowner's title and execution of the Deed of Absolute Sale in favor of the CA.
- b) Partial payment of loan proceeds subsequent to the issuance of a Letter of Guaranty where all documents required for the release of the first 50% of the loan proceeds are met.

For the two (2) payment schemes, in case there exists a bridge financing pursuant to the HDH Guidelines or legal encumbrance on the title of the subject property, assignment of loan proceeds shall be allowed for repayment of the bridge financing or encumbrance on the property incurred by the landowner to its creditors.

Section 10. Security for the Loan

The loan shall be secured by a real estate mortgage (REM) annotated at the back of the title of the CA/Cooperative. Without waiting for the transfer of the title in the name of the CA/Cooperative, the landowner may opt to execute a Deed of Accommodation of Mortgage in favour of SHFC over the property/ies intended for HDH.

Section 11. Application of Site Development and Building Permits

The CA's submission of requirements for the application of site development or building permits to the Local Government Unit, i.e., complete technical plans, shall commence within four (4) months from release of the loan. Failure to comply may be considered an event in default. As such, SHFC may declare the outstanding loan together with the accrued interest and penalties immediately due and demandable, foreclose the mortgage securing the loan, institute collection case against the CA, and avail itself of such other remedies provided for by law.

Section 12: Incentive to CSO Partners



The CSO partner shall be entitled to two percent (2%) of the land acquisition cost or P1,500 per CA member, whichever is higher, with SHFC to pay half upon issuance of the Letter of Guaranty (LOG) while the other half will be paid upon final loan release.

Section 13. Documentary Requirements

The Checklist of Requirements for application of the HDH financing is attached as Annex A.

Section 14. Effectivity

This Implementing Rules and Regulations (IRRs) shall be effective immediately upon publication by means of posting the same in the SHFC website.


MA. ANA R. OLIVEROS
SHFC President 

Date and Place of Approval: This 27th Day of December 2013 at Makati City

Date and Place of Revision: This 8th Day of January 2014 at Makati City

**CHECKLIST OF REQUIRED DOCUMENTS FOR THE HDH PROJECT TO BE
SUBMITTED BY THE CA AND ITS CSO PARTNERS**

A. For Issuance of LOG/ Board Approval:

- a. Masterlist of Beneficiaries with socio-economic profile
- b. Certificate of Registration with Articles of Incorporation/ Cooperation and By-laws (HLURB/CDA)
- c. DILG Certificate as to the eligibility of MB under the P50 Billion ISF Fund
- d. Vicinity/Location Map
- e. Zoning Certificate
- f. Appraisal Report (if any)
- g. Conceptual Plans / People's Proposal
 - Site Development
 1. Plans
 - i. Subdivision Plan / Site Plan
 - ii. Road Networks Plan
 - iii. Drainage System
 - iv. Electrical System
 - v. Water System
 - vi. Earthworks
 2. Cost Estimates
 - Building
 1. Plans and Specifications
 - i. Perspectives & Floor Plans
 2. Cost Estimates
- h. Present TCT of the landowner
- i. MOA/ Letter of Intent to Sell
- j. If Land Owner is an organization/corporation: notarized Board Resolution or Secretary Certificate
- k. HOA/ Cooperative resolution to buy & authorized signatory
- l. Copy of current receipt of Tax Payment
- m. Current Tax Declaration
- n. Certificate of Registration and original / Certified True Copy of Articles of Incorporation/Cooperation and By-Laws
- o. Letter of Support from LGU

B. Partial Payment (50%)

B.1 First 50%

- a. Notarized Loan Agreement
- b. Notarized Real Estate Mortgage
- c. Promissory Note
- d. SHFC Letter of Guaranty with Signed Conforme
- e. Landowner's Original Duplicate Copy of Title
- f. Notarized Deed of Absolute Sale
- g. Notarized Deed of Assignment between Community Association and Landowner
- h. Latest Tax Declaration and Clearance
- i. Latest General Information Sheet of Community Association
- j. Latest General Information Sheet for Corporate Landowner
- k. Landowner's Letter-Request for 50% Release of Loan
- l. Two (2) valid Government Issued IDs of the Landowner/s and Community Associations representative/s

B.2 Final 50%

- a. Registry of Deeds (RD) certified copy of REM
- b. Original Duplicate Copy of Title in the name of the HOA/Cooperative with annotation of Real Estate Mortgage
- c. Tax declaration in the name of HOA/Cooperative

D. Full Take Out

- a. Notarized Loan Agreement
- b. Promissory Note
- c. Letter of Guarantee with Signed Conforme
- d. Original Duplicate Copy of Title in the name of HOA/Cooperative with annotation of Real Estate Mortgage
- e. Registry of Deeds (RD) certified copy of Deed of Absolute Sale
- f. Notarized Deed of Assignment between Community Association and Landowner
- g. Latest Tax Declaration and Clearance
- h. Latest General Information Sheet of Community Association
- i. Latest General Information Sheet for Corporate Landowner
- j. Two (2) valid Government Issued IDs of the Landowner/s and Community Associations representative/s
- k. Registry of Deeds (RD) certified copy of REM
- l. RD Certified Copy of deed of Absolute Sale
- m. RD Certified Copy of Real Estate Mortgage
- n. Tax declaration in the name of HOA/Cooperative
- o. Letter-request for full Release of Loan

*** SHFC reserves the right to require additional requirement/s if deemed necessary.**

**** SHFC shall obtain all certified true copy of titles from RD by virtue of LRA & HDMF arrangement**