



Social Housing Finance Corporation

a subsidiary of National Home Mortgage Finance Corporation

Corporate Circular HDH No. 14 - 003
Series of 2014

**Subject: IMPLEMENTING RULES AND REGULATIONS (IRRs) ON
REFINANCING OF LGU HOUSING PROJECTS UNDER THE
HIGH DENSITY HOUSING (HDH) PROGRAM**

Section 1. Purpose

This Implementing Rules and Regulations, hereinafter called the IRR, is formulated for the purpose of implementing Section 12 of Corporate Circular No. 13-026, Series of 2013 (*High Density Housing Project Guidelines*) which allows refinancing of Local Government Units (LGU)'s housing projects for informal settler families (ISFs) living in danger areas and along waterways.

Section 2. Definition of Terms

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

- a. Local Government Units (LGUs) - refer to provinces, municipalities, cities, and barangays that apply for refinancing of their local housing program initiatives.
- b. Refinancing - refers to the financing, through the High Density Housing program of SHFC, of the previously LGU-financed development and construction of Multi-Storey Buildings for informal settler families.
- c. Appraisal – refers to the property valuation made by SHFC, or a qualified accredited private/external appraiser, of the value of the housing project subject for HDH refinancing in accordance with Section 11 hereof.

Section 3. Eligibility

- a. Local Government Unit

An LGU-financed project applied for refinancing shall have that LGU as HDH Partner to assist the community association (CA) in its organization and in post occupancy activities; thus, it is required to have a department/unit that will handle the HDH project. Majority of its operating staff shall undergo an orientation on the High Density Housing program of SHFC.

However, for the LGU to be qualified for subsequent refinancing, it must achieve a Collection Efficiency Rate (CER) of at least 80% provided data is available, and a 100% occupancy rate in its previous refinanced housing project with SHFC.

b. Community Association

In addition to the eligibility requirements provided under Section 6 of Corporate Circular No. HDH 14-001 (IRR for HDH Program, Land Acquisition Loan), the community association must have entered into a partnership with LGU as HDH partner and must have applied for the HDH loan.

c. Member-Beneficiary (MB)

The member-beneficiary for the housing project subject of refinancing must possess the following qualifications:

1. Must be at least eighteen (18) years old
2. Must not be a previous beneficiary of any other housing program of the government
3. Must be a resident of the waterways or living in danger areas as duly certified by the Department of Interior and and Local Government (DILG)

d. Property/Housing Project

The property or housing project (land and building) applied for by the LGU should comply with the following conditions:

1. The title/s must be registered under the name of the LGU;
2. The land is classified as residential;
3. The title/s should be free from liens or encumbrances;
4. The project must comply with the standards set by BP 220 and other applicable laws, rules and regulations;
5. The project must have secured the necessary permits, licenses and clearances from the appropriate government agencies; and
6. The building/s must be complete and ready for occupancy by the ISFs.

Section 4. Obligations of LGU as HDH Partner for the Post Occupancy Phase

In addition to the commitments devolved upon the LGU under Section 9, Article XIII of the 1987 Constitution, Section 29 of RA 7279 otherwise known as the "Urban Development and Housing Act", and other applicable laws, rules, and regulations, the LGU undertakes to provide to the community association the following enabling acts, such as, but not limited to, those enumerated in Section 4 of the IRR for Accreditation of CSO Partner for HDH Program:

1. Assists in developing community association governance structure.
2. Prepares plans and programs /projects for the communities to uplift the socio economic status of the members.
3. Prepares and submits loan documents.
4. Capacitates the community association in the implementation of community policies on estate and financial management.

5. Facilitates in the formation of the community association's committees for estate management, such as but not limited to Sanitation Committee, Peace and Order Committee and Committee on Finance.
6. Ensures that the community association is fully aware of their responsibilities in estate management by conducting regular meetings with the community association and performance review.
7. Assists in the community association's collection of monthly amortization to be remitted to SHFC.
8. LGU in partnership with the community association shall obtain services of an estate management consultant when the LGU is unable to undertake items i to vii.
9. Ensures the development and implementation of LGU's Disaster Risk Reduction Plan and Activities for the community association.

Section 5. Payment for the Property/ Housing Project for Refinancing

Payment for the property to the LGU shall be made under any of the following schemes:

1. Staggered Payment:
 - a. Partial payment of 50% of the refinanced amount, upon submission of a Letter of Guaranty (LOG) with conformity of the Landowner and submission of the documentary requirements for the first 50% (as listed in Annex "A") as well as a 100% occupancy of the units of the building.
 - b. Remaining balance of 50% of the refinanced amount, if the title to the property is already transferred in the name of the community association and has an annotation of the SHFC mortgage.
2. Full payment of the refinanced amount shall be released when all the conditions in items a to b have been met.

Section 6. Loan Amount/ Refinanced Amount

The loan amount or the refinanced amount shall be: (a) sum of the loan entitlement of the CA members; or (b) project cost; or (c) the appraised value of the property, whichever is lower.

Section 7. Loan Entitlement for the Refinanced Loan under HDH

The maximum loanable amount for refinancing for each ISF shall be P450,000¹. This may be further increased if the Housing and Urban Development Coordinating Council (HUDCC) increases the loan ceiling for Low Rise Buildings for socialized housing.

¹ Increased from P400,000 to P450,000 per HUDCC Resolution No. 1, Series of 2013 dated October 16, 2013.

Section 8. Interest Rate and Loan Term of the Refinanced Loan under HDH

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

Section 9. Amortization

The amortization payment of the member-beneficiaries of the community association shall commence one month after release of the first fifty percent (50%) or full release of the loan, whichever comes first.

Section 10. Security for the Refinanced Loan under the HDH

The loan shall be secured by a real estate mortgage (REM) annotated at the back of the title/s of the community association.

Section 11. Appraisal of the Property/Housing Project

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 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 entities in order to reconcile the variance; Provided, that in the event of irreconcilable variance then the matter shall be elevated to the Board. (Section 5 of Corporate Circular No. HDH 14-001 Series of 2013).

Section 12. Insurance

a. Mortgage Redemption Insurance (MRI)

The insurance premium for the 1st year of coverage shall be paid in advance which is equivalent to the borrower's share in the loan. Premium for the succeeding year shall be paid on a monthly basis which shall be included in the monthly amortization of the member-beneficiary.

b. Fire and Allied Perils Insurance (FAPI)

The house or unit and its improvements shall be covered by FAPI for an amount equivalent to the loan amount. The insurance premium for the 1st year of coverage shall be paid in advance which is equivalent to the borrower's share in the loan. Premium for the succeeding year shall be paid on a monthly basis which shall be included in the monthly amortization of the member-beneficiary.

Section 13. Documentary Requirements

The Checklist of Requirements for application of the HDH refinancing 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

President 

Date and Place of Approval : This 31st Day of March 2014 at Makati City

**CHECKLIST OF REQUIRED DOCUMENTS FOR
THE HDH REFINANCING BY THE LGU (LANDOWNER)**

I. FOR LOG/BOARD APPROVAL:

A. TECHNICAL REQUIREMENTS

1. Floor Plan
2. Elevations/Sections
3. Foundation Plan with Column, Footing and Beam Details
4. Roof Plan Details
5. Plumbing Layout and Septic Tank Details
6. Electrical Layout and Load Computations
7. Technical Specifications
8. Building Construction Detailed Cost Estimates
9. Building Permit
11. Site Development Plan
12. Road Layout Plan and Cross Sections
13. Drainage System Layout and Details of Drainage Structures
14. Water System Distribution Layout
15. Design of Deepwell System/Overhead Water Tank, if applicable
16. Electrical Layout
17. Design of Retaining Wall/Riprap, if applicable
18. Technical Specifications
19. Land Development Detailed Cost Estimates
20. Development Permit
22. Other documents that may be deemed necessary

Note: All plans and documents must be signed and sealed by Engineer/Architect/Urban Planner.

Plans should be approved by HLURB/LGU

B. LEGAL REQUIREMENTS

1. Certificate of Registration with Articles of Incorporation/Cooperation and By-Laws (HLURB/CDA)
2. Present TCT of the Landowner
3. MOA/Letter of Intent to Sell and to Buy
4. If Landowner is an organization/corporation: notarized Board Resolution or Secretary Certificate; If Individual: Special Power of Attorney (authorized signatory & authority to sell the subject property/ies)
5. Latest Tax Declaration of subject property/ies
6. Latest Tax Clearance/ copy of current receipt of tax payment of subject property/ies
7. LGU Council Resolution authorizing the sale/ re-financing of the city-owned real property (subject property) and the authority of the local government executive to enter into contracts/agreements regarding the same
8. Other documents that may be deemed necessary

II. STAGGERED PAYMENT

A. First 50%

1. Notarized Loan Agreement
2. Notarized Real Estate Mortgage
3. Promissory Note
4. SHFC Letter of Guaranty with signed Conforme
5. Landowner's Original Duplicate Copy
6. Notarized Deed of Absolute Sale
7. Notarized Deed of Assignment between the Community Association (CA) and Landowner
8. Latest Tax Declaration and Clearance
9. Latest General Information Sheet of CA
10. Latest General Information Sheet for Corporate Landowner
11. Landowner's Letter-Request for 50% Release of Loan
12. Two (2) valid Government Issued Ids of the Landowner/s and CA's representative/s
13. Certificate of Completion and Acceptance by community association
14. LGU's Warranty Undertaking stating that it will comply with their obligations under the IRR and for the necessary repairs of the structure of the subject property/ies

B. Final (50%)

1. Registry of Deeds (RD) certified copy of Real Estate Management (REM)
2. Original Duplicate Copy of Title in the name of the CA with annotation of REM
3. Tax declaration in the name of the CA
4. Collection Agreement
5. Lease/ Purchase Agreement

III. FULL TAKE OUT

1. Notarized Loan Agreement
2. Promissory Note
3. SHFC Letter of Guaranty with signed Conforme
4. Original Duplicate Copy of Title in the name of the CA
5. RD certified copy of notarized Deed of Absolute Sale
6. Notarized Deed of Assignment between the Community Association (CA) and Landowner
7. Latest Tax Declaration and Clearance
8. Latest General Information Sheet of CA
9. Latest General Information Sheet for Corporate Landowner
10. Two (2) valid Government Issued Ids of the Landowner/s and CA's representative/s
11. RD certified copy of REM
12. Tax Declaration in the name of the CA
13. Letter-request for full release of loan
14. Certificate of Completion and Occupancy by community association
15. LGU's Warranty Undertaking stating that it will comply with their obligations under the IRR and for the necessary repairs of the structure of the subject property/ies

*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.