



Social Housing Finance Corporation

a subsidiary of National Home Mortgage Finance Corporation

Corporate Circular HDH No. 14 - 005
Series of 2014

**Subject: ACQUISITION OF PROPERTY BY SHFC AND USUFRUCT
UNDER THE HIGH DENSITY PROGRAM**

Section 1. Statement of Policy and Purpose

It is the Social Housing Finance Corporation's (SHFC) corporate policy to ensure delivery and management of safe, affordable and decent permanent housing solutions for informal settler families (ISFs) living in danger areas and waterways in Metro Manila.

Thus, it is the corporate objective to accord ISFs security of tenure against infringement, or unjust, unreasonable and arbitrary eviction or disposition, through the right of ownership, lease agreement, usufruct and other contractual arrangements, as cited in the Joint Memorandum Circular of April 2013 invoking Section 3, par. (o) of Urban Development and Housing Act of 1992 (UDHA). The period of said arrangements should be at least equal to the term of loan.

SHFC Corporate Circular No. 13-026, or the High-Density Housing Guidelines dated 11 July 2013, provide for the implementation framework for SHFC's participation in the priority Php50-Billion Informal Settler Families (ISF) Housing Program which is a part of the government's National Shelter Program for the relocation of ISF residing in danger areas and waterways in Metro Manila.

SHFC is fully empowered under its Articles of Incorporation and By-Laws, as affirmed by its Board through Board Resolution No. 391, Series of 2014, to pursue these mechanisms, including the acquisition of property in its own name and for eventual disposition to the community association, or entering into a usufruct arrangement, for the implementation of the HDH Program.

Section 2. Definition of Terms

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

- a. People's Plan - refers to a proposal developed by the community to be relocated, with the assistance of concerned government agencies.
- b. Big Project – refers to a housing project amounting to more than Php90 million in total project costs consisting of land acquisition, site development and building construction.
- c. Small Project – refers to one which amounts to Php90 million or less in total loan amount.

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Section 3. Negotiation and Appraisal

The property to be purchased by SHFC shall be chosen by the community association (CA) living along waterways and danger areas in Metro Manila pursuant to its People's Plan.

The purchase price shall be initially negotiated between the landowner and the CA. Thereafter, SHFC shall undertake appraisal in compliance with Republic Act No. 8974 and its own Corporate Circular HDH No. 14-001, Series of 2013 in order to come up with its own valuation and the amount to be paid by SHFC.

Section 4. Mechanism for the Acquisition of Land by SHFC

a. Big Projects

For big projects, SHFC shall buy the big parcel of land, only as an intermediate and provisional step, with the view of ultimately selling it to the CA or entering into a usufruct arrangement with the latter or its successor-in-interest.

After buying the land and determining affordability, the following rules shall apply:

- i. For the CA which can afford to buy land, the SHFC shall sell the land to the CA.
- ii. For the CA which cannot afford to buy land, SHFC shall enter into a usufruct agreement with the CA, with the view of eventually selling to the latter should it be willing and able to buy the land.

Any or all contract agreement of usufruct over the project site executed and entered into by SHFC with any CA shall contain all covenants as may be arrived at by the Parties; nevertheless, should there be any deficiency in the manner of expression, or omission to stipulate on the matter, the New Civil Code Book II, Title VI on Usufruct, shall be observed.

- iii. For both (i) and (ii), SHFC shall require the breaking up of the CA into smaller CAs (based on a Php90-million project cost ceiling) as a requirement for the release of their respective site development and building construction loans.

b. Small projects

For a small project, the CA may buy land directly from the landowner after determination by SHFC that it can afford to do so.

For a CA that has been determined by SHFC to be unable to afford to buy land, SHFC shall buy the land and execute a usufruct arrangement with the former.

Section 5. Validation/ Evaluation and Approval of Proposed Project Site

The validation, evaluation and approval of the proposed project site shall be in accordance with the HDH standard procedure.

Section 6. Mode of Payment for the Acquisition of Property by SHFC

a. First Tranche of Eighty Percent (80%) of the Purchase Price

After issuance of the Letter of Guaranty (LOG), the landowner with his conformity, may be paid the first eighty percent (80%) of the purchase price upon submission of the following documents:

- i. Owner's duplicate copy of the title/s under his name;
- ii. Notarized Deed of Absolute Sale; and
- iii. Documents in compliance to Board conditions and other technical and legal examination findings (if any)

b. Balance of the Twenty Percent (20%) of the Purchase Price

The landowner shall receive the balance purchase price of twenty percent (20%) upon transfer of title/s to SHFC. The amount shall stand as title security against third party claimants on the property subject of sale and payment of any tax due from the landowner.

Section 7. Transfer Costs

Consequently, the following additional costs for transferring title to the land in the name of SHFC and the consolidation and segregation of title in the name of the CA shall be for the account of the following parties:

Transfer of Title/s from Landowner to SHFC

a. Landowner

- Documentary stamp tax on the sale of land
- Notarization of the Deed of Absolute Sale
- Updated Real property tax

b. SHFC

- Registration expenses with the Register of Deeds
- Transfer fees (if any)
- Assessor's fee (tax declaration)

Transfer of Title/s from SHFC to CA

c. SHFC

- Documentary stamp tax on the sale of land
- Notarization of the Deed of Absolute Sale
- Registration expenses with the Register of Deeds
- Transfer fee (if any)
- Assessor's fee (tax declaration)
- Consolidation and segregation of title/s (in case of necessity)

The above enumerated taxes and expenses to be shouldered by SHFC shall be chargeable to the technical assistance subsidy that has previously been provided for under item no. 11 of the aforementioned Corporate Circular No. 13-026. The HLURB/CDA registration expenses shall be borne by the community association and the titling expenses under Sec.7.a. hereof, shall be borne by the landowner.

Section 8. Prospective Application

This Circular shall prospectively apply to projects approved under SHFC Board Resolution No.390 and those projects submitted thereafter.

Section 9. Contractual General Intent and Incorporation Clause

Any or all contracts or agreement executed and entered into by SHFC with any CA shall be construed to bear the general intent of affording the ISFs their security of tenure.

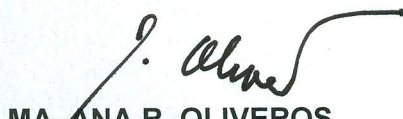

Notwithstanding the absence of expressed stipulation of any or all provisions of herein corporate circular in the contract or agreement, or its expressed stipulation thereat but with deficient wordings or phraseology, any or all provisions of this corporate circular shall be deemed to be incorporated in the contract or agreement.

Section 10. Repealing Clause

Office policies, office orders, memoranda or circulars or parts thereof inconsistent with any provision of this circular are deemed modified accordingly.

Section 11. Effectivity

This corporate circular takes effect immediately upon its publication in the SHFC website.


MA. ANA R. OLIVEROS
President 

August 12, 2014