

IMPLEMENTING RULES AND REGULATIONS (IRR)
Revised CMP Implementing Guidelines for On-Site Land Acquisition Projects

DEFINITION OF TERMS:

Loan Agreement (Sec. 2.2)

The loan agreement is the contract between the CA and SHFC, whereby SHFC obligates itself to lend money to the CA for the acquisition of the property occupied by the member and in turn, the CA is required to make payments under the terms and conditions stated under the said agreement.

Real Estate Mortgage Agreement (Sec. 2.2)

A REM is defined as a collateral contract whereby real property serves as security for the payment of a loan obligation provided in the promissory note and the loan agreement. The REM must be executed by the CA (mortgagor) in favor of the SHFC (mortgagee). The CA mortgages by way of First Mortgage to the SHFC, its successors-in-interest the mortgaged property.

Purchase price (Sec. 3.1)

This refers to the amount agreed upon by the CA and the landowner as consideration for the sale of the latter's property. Consistent with Section 4, this amount should have been the result of a free and open negotiation and agreement between the landowner and the CA.

Appraised value (Sec. 3.1)

This refers to the property valuation made by SHFC or a qualified external appraiser over the project site/lot subject for CMP loan application.

Loan Entitlement (Sec. 3.2)

This refers to the total amount of loan a CA member is qualified to apply for under the CMP.

Lease Purchase Agreement (Sec. 3.4)

An agreement executed between the CA (lessor) and the member (lessee) whereby the member shall continue to occupy the property subject to the payment of monthly amortization/rentals to the CA, with the member having the option to purchase the property at the end of the lease period.

Liens (Sec. 3.7.1)

A lien is a legal claim by a third party against the property.

Encumbrance (Sec. 3.7.1)

An encumbrance is anything that burdens, affects or limits the title of a property such as mortgages, leases, easements, liens or restrictions.

CA's readiness (Sec. 7)

This refers to the ability of the CA to fully comply with the requirements/eligibilities mentioned in Section 6 on the CMP loan application requirements/eligibility. SHFC will assess understanding and acceptance by the CA members of the following, but not limited to:

- (a) CA loan obligation and sharing by members;
- (b) The nature and conditions of the property;
- (c) Purchase price of the land and all related expenses;
- (d) Lease Purchase Agreement
- (e) Conditions as regards re-blocking, substitution, MRI coverage and adjudication

120 working days (Sec. 8)

This refers to the number of working days during which SHFC is committed to accomplish the due diligence process involved in the CMP loan application. The 120 days commitment shall commence from the time the SHFC officially accepts a complete CMP loan application.

SECTION 3. CMP LOAN TERMS AND CONDITIONS

3.7.4 ON LOAN COLLATERAL

In order to establish whether the property applied for CMP has the required road right of way or access road lot, the vicinity map to be submitted should indicate the road right of way or access road leading to a public road. This will be validated by SHFC during its site inspection.

SECTION 4. PURCHASE PRICE OF THE LAND

In order to ensure that the purchase price of the land subject of a CMP loan is clear and acceptable to all parties concerned, said purchase price should be:

- a. explicitly stated in the Letter of Intent to Sell signed by the landowner and Letter of Intent to Buy signed by the CA's negotiating panel/authorized representative or in the Memorandum of Agreement duly signed by the two parties earlier mentioned;
- b. explicitly stated in the CA's Board Resolution ratifying the agreement reached between the landowner and the CA's negotiating panel.

SECTION 5. COLLATERAL APPRAISAL

5.4 SHFC may finance properties whose purchase price is higher than the appraisal value provided that the excess is within 20% in which case the borrowers will have to settle the excess (equity) to the landowner before release of the loan proceeds.

For purchase price higher than the appraisal value by more than 20%, the CA will have to renegotiate with the landowner to lower his/her selling price.

SECTION 6. CMP LOAN APPLICATION REQUIREMENTS/ELIGIBILITY

6.1. CA REQUIREMENTS/ELIGIBILITY

ELIGIBILITY REQUIREMENTS OF A COMMUNITY ASSOCIATION

6.1.1 If the members of a CA exceed 200, the CA shall be required to present a well-defined project management structure and other indicators to show manageability. The following are indicators of a well-defined project management structure:

- a) the CA has identified the officers in-charge for the CMP loan project;
- b) the CA has defined the roles and responsibilities of the CMP loan project officers;
- c) the CA has defined the clusters/groups/working committees for the CMP loan project; and
- d) the CA is implementing the policies and systems agreed upon.

6.1.5. The project site should be at least 85% occupied by the CA members upon application and 100% after two (2) years from loan release. Members who have not occupied their home lots within two (2) years shall be substituted by the CA with a qualified member.

Two (2) years after loan release, SHFC shall verify compliance with the 100% occupancy requirement and require the CA to implement the substitution of the non-transferees.

6.2. THE MEMBERS OF THE CA SHOULD HAVE THE FOLLOWING QUALIFICATIONS:

6.2.2 The member has certified under oath that he/she has not been a recipient of any CMP loan or other government housing program, does not own or co-own a real property and is not a professional squatter as defined in RA 7279 and Par. 6.2.3 The member is a structure owner, a renter or a sharer at the site.

The foregoing two (2) requirements shall form part of the Community Profile to be submitted by the CA and its CMP-M. The Community Profile must be certified by the CA to be true and correct. This profile will be validated by the SHFC during its Background Investigation.

SECTION 9. ACCREDITED CMP MOBILIZERS (CMP-M)

9. 1. QUALIFICATIONS OF A CMP-M (EXPERIENCE REQUIREMENT)

As a general rule, CMP-M, to be accredited, should have at least two (2) years experience in subdivision/housing development and/or community-based social or economic assistance activities to be accredited. This experience requirement can also be gained in partnership with a CMP-M and/or reputable private sector/non government organizations engaged in subdivision/housing activities and/or community-based social or economic assistance activities. In cases where experience was gained through partnerships, the prospective CMP-M should then present a document where the partner-entity states that the former was indeed involved in such activity.

9.1.6 Areas of disqualifications as may be provided in the CMP Implementing Rules and Regulations

A CMP-M shall be disqualified under any of the following circumstances:

- a. Cases of abandonment of the CA
- b. Charging of processing fees amounting to more than 1% of the member's CMP loan entitlement
- c. Negotiating with the landowner re: purchase price of the property to the detriment of the CA
- d. Bad track record in loan origination, i.e; low CER of majority of its taken-out projects, number of projects in litigation, foreclosure, etc.
- e. Using CMP to pursue his/her own business interests in buying and selling lands

9.3 PERFORMANCE OF AN ACCREDITED CMP-M

PERFORMANCE EVALUATION OF CMP-M WHO FAILED THE COLLECTION EFFICIENCY REQUIREMENT

As a general rule, CMP-Ms should maintain a CER of at least 80 percent. Failure to maintain this CER level will mean ineligibility to enroll new projects.

CMP-Ms with pending project applications whose CERs do not meet the 80 percent CER requirement but fall within the 70% to 79% CER range shall be assessed using other performance indicators. These other performance indicators are stated in 9.3.1 to 9.3.5 of these Guidelines. In evaluating the CMP-Ms, the following grading system will be followed:

Reference Unit	Performance Indicator	Weights
A	CER of the CMP-M at that time of evaluation	60%
B	Number of households who benefitted from the CMP-Ms past projects whose loans have already been released (9.3.5) 1500 HHs & up=10%; 1000-1499 HH= 6%; 600-999 HH= 4%; 599 & below= 0%	10%
C	Number of years of active involvement in the program (9.3.3) 5 yrs & up=10%; 2-4 yrs=5%; 1 yr=1%; 0=0%	10%
D	Number of projects approved versus projects enrolled (9.3.4) 80% of projects approved= 8%; 50% of projects approved=6%; lower than 50% of projects approved=2%; none=0%	8%
E	Regular conduct of election of CA officers. The CMP-M's past projects, whose loans have already been released, regularly observe the mandated annual elections of CA officers (9.3.1) Regular election (per CA by-laws)=6%; irregular=3%; none=0%	6%
F	Presence of CA-initiated community improvements project/s in the communities organized by the CMP-M which have been implemented within five years from loan release (9.3.2) 2 or more CAs with projects=6%; 1 CA with projects=3%; none=0%	6%

The passing rate shall be 80 percent.

SECTION 10. INSURANCE

For the duration of the loan, there shall be a Mortgage Insurance on the lives of the principal borrowers as identified in the Master List of Members on a yearly renewable term basis.

The insurance premiums shall be included in the monthly amortizations of the members. An equivalent of one year Mortgage Insurance premium shall be required from the CA in the form of cash deposit prior to release of the loan proceeds.

SECTION 13.1 COLLECTION AND SERVICING OF THE CMP LOAN

As long as the community loan (CMP Loan) is not yet fully paid, the loan stays as a joint and solidary obligation of the CA and all its members. As such, the CA shall have the obligation to collect the shares of its members in the monthly amortization of the community loan. Payment of monthly amortizations shall be considered made by SHFC only upon actual remittance of the amount due as reflected in the records of SHFC.

13.1.1 As manifestation of good faith on the part of the CA, a deposit equivalent to three (3) monthly amortizations shall be paid to SHFC prior to loan release. This deposit and its accrued interest income shall form part of the CA buffer fund that will be used to pay for the members' delinquency.

In order to maintain the 3-month amortization as buffer deposit for CA, any recourse to it resulting to depletion shall be required to be replenished.

SECTION 14. INDIVIDUALIZATION OF COMMUNITY TITLE

14.1. SHFC reserves the right to initiate the individualization of the loan under the following circumstances:

- a. inability to resolve internal conflicts within the CA involving officers and members leading to collection delinquency; or
- b. the officers of the CA are already inactive in which case SHFC shall endeavor to coordinate with the Housing Land Use Regulatory Board for the conduct of new elections for the said CA; or
- c. the CMP property was foreclosed by SHFC but there are CA members who have fully paid their loans.

SECTION 15. SUBSTITUTION OF MEMBERS:

Procedures for Substitution shall be as follows:

- a. In case a member fails to pay his/her share in the monthly amortization equivalent to at least three (3) months, the CA shall issue a demand letter to the defaulting member giving him/her at least fifteen (15) days within which to settle his/her obligations.
- b. The demand letter may be delivered personally or by registered mail with return card to the last known address of the member and shall contain at least the number of months in arrears, amount of arrearages including interests, penalties and surcharges (if any), and due date of settlement. In case the member fails to settle his/her obligations by the due date, the CA shall, by virtue of a Board Resolution, declare that the defaulting member shall be substituted.
- c. Any complaint made by the defaulting member to SHFC shall first be referred to their Community Mobilizer.
- d. In case a member decides to execute a voluntary waiver of rights to the allocated lot/property in favor of another member or to the CA, a notarized waiver to that effect shall be sufficient ground for the CA to likewise declare the said member to be eligible for substitution.
- e. In cases where the reason/s for substitution/s is due to the finding of guilt on the part of the member of violating Sec. 15.2.3 of the Approved Revised CMP Guidelines, the CA shall pass a Board Resolution for the substitution of the erring-member.

- f. The notarized board resolution substituting the disqualified member shall be submitted to SHFC within fifteen (15) days from approval. After a notice of action has been issued and the member fails to respond within fifteen (15) days or has accepted the CA's decision, SHFC shall notify the CA to proceed with the substitution.
- g. The disqualified member shall execute a waiver of his/her rights to the allocated property and voluntarily surrender the same to the CA. In case of refusal by the disqualified member to execute the waiver and/or surrender the allocated property, the CA can avail of other legal remedies like eviction/ejection before the proper forum.
- h. The CA shall notify SHFC of any substitution made and submit the following documents:
 - 1. Copy of the notarized Board Resolution attesting to the approval of the substitution of the disqualified member and the acceptance/appointment of the substitute and the latter's residence;
 - 2. Certified true copy of the demand letter issued by the CA with proof of receipt together with the latest statement of account of the disqualified member;
 - 3. Notice of termination of the Lease Purchase Agreement (LPA) of the disqualified member together with the signed LPA of the substitute member and his/her proof of income or details on his/her source of livelihood;
 - 4. Amended Masterlist of beneficiaries, certified correct by the CMP-M; and
 - 5. In case of failure to present the notarized waiver of the disqualified member over the allocated property, SHFC shall require the submission of alternative documents as the situation so warrants.
- i. In selecting a qualified substitute, a renter or a sharer at the site actually and directly occupying the structure/lot subject of substitution shall be preferred or prioritized. No substitution shall be allowed unless the substitute complies with the qualifications set forth in sec. 6.2 of the approved revised CMP guidelines.
- j. SHFC shall validate the substitution documents presented by the CA and shall inform the CA of the approval/disapproval thereof. Upon SHFC's approval of the substitution, it shall affix its conformity to the Amended Masterlist of beneficiaries. If the substitution is disapproved, the CA shall be notified of the reasons thereof and shall be required to submit another nomination for a substitute within sixty (60) days from receipt of notice of disapproval.
- k. SHFC shall process applications for substitutions upon payment of a Substitution Processing Fee of Php 500.00 per member. This amount shall answer for the administrative costs involved in servicing the CA's requests for substitution of members such as cost of forms, mailing, long distance call charges and other administrative expenses.


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