



**SOCIAL HOUSING FINANCE CORPORATION**  
a subsidiary of National Home Mortgage Finance Corporation

**CORPORATE CIRCULAR NO. 13 - 024**

11 March 2013

Series of 2013

**SUBJECT : MODES OF PAYMENT FOR THE PURCHASE OF LAND  
UNDER SHFC HOUSING PROGRAMS**

In the interest of the service and to facilitate loan take outs of Community Mortgage Program (CMP) projects, the following guidelines are hereby adopted as follows:

- I. Upon issuance of the LOG, the landowner with its conformity, may be paid the **first 50%** of the purchase price, provided that the following requirements are complied with:

- a) Regular on-site and off-site projects:

1. delivery to SHFC of the owner's duplicate copy of the title/s under its name;
2. execution and submission of a notarized deed of absolute by the landowner in favor of the community association (CA); and,
3. compliance with Board conditions and other technical, loan and mortgage examination findings.

- b) Localized Community Mortgage Program (LCMP)

In addition to requirements Nos. 1 to 3, the Local Government Unit (LGU) shall be required to submit a Sangguniang resolution on the authority of the chief executive to sign the Deed of Sale and other loan documents and requirements on behalf of the LGU.

- c) Express Lane with Guarantee

1. Execution and submission to SHFC of the following documents:

- i) Memorandum of Understanding (MOU) between the guarantor and SHFC;
- ii) Guarantee Agreement among the guarantor, CA and SHFC;
- iii) Escrow Agreement among the guarantor, escrow bank and SHFC;
- iv) Bank Certificate from Escrow bank that an amount has been set aside to guarantee performance of obligations under the Guarantee Agreement; and,
- v) Compliance with Board conditions and other technical, loan and mortgage examination findings.

d) Express Lane with Accommodation Mortgage

1. Compliance with the following requirements:

- i) Annotation of the deed of accommodation mortgage on the title/s of the landowner;
- ii) Submission of the original copies of the deed of accommodation mortgage;
- iii) Execution and submission of a deed of conditional sale by the landowner in favor of the CA;
- iv) Submission of the RD certified true copies or e-copies of the title/s with annotation of the accommodation mortgage; and,
- v) Board conditions and other technical, loan and mortgage examination findings.

II. The landowner shall be entitled to the **final 50%** of the purchase price upon compliance of the following:

a) Regular on-site, off-site & LCMP projects:

- 1. For on-site and LCMP projects, the final 50% shall be released upon the transfer of title/s in the name of the CA with the mortgage lien annotated at the back thereof, submission of the owner's duplicate copy of title/s, compliance with Board conditions and other technical, loan and mortgage requirements.
- 2. For off-site projects, the final 50% of the loan shall be released on a staggered basis at a rate proportionate to the occupancy performance of the CA until such occupancy reaches the required 85% level<sup>1</sup>, compliance with Board conditions and other technical, loan and mortgage requirements. Title in CA's name shall also be required and such other requirements/compliances which SHFC deems necessary.
- 3. In the absence of an agreement between the parties, transfer taxes, registration fees and documentary stamp taxes shall be for the account of the landowner.

b) Express Lane with Guarantee

- i) Submission of the owner's duplicate copy of title in the name of the CA with the annotation of the mortgage lien at the back thereof;
- ii) Submission of the RD certified copy or e-copy of the title/s in the name of the CA;
- iii) Site Development & House Construction Plan;
- iv) Institutional Memorandum of Understanding, e.g., DPWH, DSWD, Habitat for Humanity and other organizations similar thereto, for

<sup>1</sup> Sec. VIII (A) of Corporate Circular No. 11-018



the performance and delivery of their institutional services and commitments;

- v) Compliance with Board conditions and other technical, loan and mortgage requirements; and,
- vi) Payment of transfer taxes, registration fees and documentary stamp taxes shall be for the account of the landowner unless otherwise previously agreed upon by the parties.

c) Express Lane with accommodation mortgage

- i) Surrender to SHFC of the original owner's duplicate copy of the title/s;
- ii) Execution and submission of a notarized deed of absolute sale over the property which will be used for CMP in favor of the CA;
- iii) Submission by the CA of Site Development and House Construction Plan;
- iv) Board conditions and other technical, loan and mortgage examination findings; and,
- v) Payment of transfer taxes, registration fees and documentary stamp taxes shall be for the account of the landowner unless otherwise previously agreed upon by the parties.

III. Subject to SHFC's approval, the landowner may request SHFC for the escrow of the purchase price with any government bank provided that the escrow fees shall be borne by the landowner and any interest income earned shall accrue to SHFC.

IV. LGU owned properties may be paid the full amount of the purchase price provided that the landowner LGU complies with the following requirements:

- i) Annotation of the deed of accommodation mortgage on the title/s of the landowner;
- ii) Submission of the original copies of the deed of accommodation mortgage;
- iii) Submission of the RD certified true copies or e-copies of the title/s with annotation of the accommodation mortgage;
- iv) Execution and submission of a notarized deed of absolute sale over the property which will be used for CMP in favor of the CA; and,
- v) Board conditions and other technical, loan and mortgage examination findings.

V. Bridge financing may be used by the CAs to lock up the property/ies which they occupy or intends to relocate to and to seal the negotiation with the landowner who wants to be paid a portion or the entire purchase price. It may also be used to provide the CA with funds to pay the landowner



immediately while awaiting the release of the loan proceeds from SHFC with the intention of paying the bridge financier the amount it advanced out of the loan proceeds.

Loan approvals of CMP projects with existing bridge financing contracts shall be subject to the board conditions, prior validation, appraisal and due diligence work of SHFC. SHFC shall not release any partial payment to the bridge financier until the issuance of LOG.

In case the title was obtained by virtue of a bridge financing from a third party (e.g. NGO, private entity or corporation), payment may be made to them provided that a Deed of Assignment to the extent of the value of the lien or loan is executed and submitted by the landowner and/or the third party to SHFC prior to the release of the loan.

a) When a **portion** of the purchase price was advanced thru bridge financing:

- The documents between the CA and the third party pertaining to the bridge financing shall be submitted to SHFC such as, but not limited to the Memorandum of Agreement, loan agreement, and ledger of monthly payments made by the CA, if any.
- SHFC shall release to the third party providing the bridge financing the amount received by the landowner as indicated in the Deed of Assignment of Loan Proceeds less the amount already paid or amortized by the CA to the third party on the loanable amount.

b) When the **entire** purchase price was advanced thru bridge financing:

- The documents between the CA and the third party providing the bridge financing shall be submitted to SHFC such as but not limited to the following:
  - i. Memorandum of Agreement; or
  - ii. Loan Agreement, Promissory Note and Collection Agreement if payment is to be made to the third party prior to the CMP loan release; and,
  - iii. Notarized Deed of Sale in the name of the CA and the duplicate owner's copy of the title of the landowner shall be required before the release of the first 50% of the loan proceeds. An un-notarized DOS shall be required while the application for loan is pending and before issuance of the LOG.





- If title is already in CA's name upon loan application, the bridge financier may be paid the full amount of the loan proceeds subject to the board conditions, as well as to all the applicable guidelines, validation and due diligence work to be made by SHFC.
- c) In case payment is to be made by the CA to the third party providing the bridge financing while awaiting the release of CMP loan proceeds:
- i. the actual amounts paid to the third party prior to the release of the CMP loan shall be deducted from the CMP loan proceeds assignable to the third party.
  - ii. the amount to be deducted from the CMP loan proceeds assignable to the third party shall pertain only to the principal (excluding interest and penalties, if any).
- d) In case of bridge financing to the landowner who dies prior to the transfer of the title in the name of the CA, the third party shall immediately annotate the Deed of Sale in favor of the CA. Expenses for the payment of the estate taxes and other expenses for the transfer of title to CA's name shall be automatically deducted from the loan proceeds assignable to the bridge financier.
- e) Interest rate for subsisting loan contract/s between the CA and the bridge financier at the time of loan application shall not exceed nine percent (9%) per annum otherwise the loan application shall be rejected by SHFC. The applicant CA may then pay directly the bridge financier.
- f) In the absence of an agreement between the parties, transfer taxes, registration fees and documentary stamp taxes shall be for the account of the landowner.

All previous Corporate Circulars and related issuances on CMP inconsistent with any provisions of this Circular are hereby repealed/modified accordingly.

For immediate implementation.

  
**MS. MA. ANA R. OLIVEROS**  
*President*

Date approved: 24 May 2013