



Social Housing Finance Corporation
a subsidiary of National Home Mortgage Finance Corporation

CORPORATE CIRCULAR CMP NO. 14 - 031
Series of 2014

TO : **ALL CMP BORROWERS AND MOBILIZERS**

SUBJECT : **IMPLEMENTING GUIDELINES FOR SITE
DEVELOPMENT LOAN AND HOUSE CONSTRUCTION
LOAN**

Pursuant to the Article VII of the Urban Development and Housing Act of 1992 (Republic Act 7279) which defined the Community Mortgage Program (CMP) and cognizant of the need to promote the development of sustainable communities for the underprivileged and homeless citizens, these guidelines and procedures for availment of site development and house construction loans are hereby promulgated.

I. LOAN PURPOSE

The Site Development Loan which is the second stage of loan assistance under the Community Mortgage Program (CMP) may be used to finance any one or a combination of the following:

- A. Improvement/establishment of roads
- B. Construction of drainage and/or sewerage system
- C. Installation of water system
- D. Installation of electrical connections
- E. Reblocking

The House Construction Loan may be used to finance the following:

- A. House Construction - Construction or completion of a residential unit on a lot owned by the member;
- B. Home Improvement - Any alteration in an existing residential unit intended by a homeowner to be a permanent integral part thereof, which will enhance its durability and material value.

II. BORROWER ELIGIBILITY

The eligibility requirements stated in the implementing guidelines for CMP On-Site and Off-Site land acquisition projects shall be used in the qualifications of the Community Association (CA) and its members applying for site development and house construction financing.

CAs who are the registered owner of the land or have existing lease agreement, usufruct and other contractual arrangement with terms equivalent to the SHFC period or term of loan shall be eligible for site development and house construction loans provided that they have complied with the requirements.

In addition, CAs with existing lot acquisition loans must have a Collection Efficiency Rating of not less than 80% in order to be eligible for site development and house construction financing.

III. LOAN AMOUNT

III.1 Loan Entitlement

Type of Loan	Maximum Loan Entitlement per Member Beneficiary
Site Development	P 30,000.00
House Construction	P 120,000.00
Total	P 150,000.00

CA members availing of site development and house construction loans, whose loan entitlement for land acquisition and site development have not been utilized can avail of the entire land acquisition and site development loan entitlements or the balance thereof to augment their loan entitlement for the site development and house construction loans. However, the non-availment of the site development and house construction entitlements may not be used to increase the amount for land acquisition.

The total loan entitlement of a CA member for Land Acquisition, Site Development and House Construction Loans shall not exceed the total loan entitlement of P 250,000.00.

III.2 Basis of Loan Amount

For Site Development:

The loan amount shall be based on the total maximum loan entitlement of P 30,000.00 per beneficiary (regardless of homelot size) or on the submitted project cost or the SHFC-TSD estimated site development cost whichever is the lowest.

For House Construction:

The loan amount shall be based on the total maximum loan entitlement of P 120,000.00 or on the submitted project cost or the SHFC-TSD estimated housing unit cost whichever is the lowest.

IV. INTEREST RATE AND LOAN TERM

The loan will bear 6% interest per year based on the outstanding balance and will be payable in equal monthly amortization up to a maximum period of 25 years or the remaining term of the lot acquisition loan, if applicable.

V. ASSESSMENT OF THE CONTRACTOR/DEVELOPER

As part of due diligence, SHFC shall assess the contractor/developer hired by the community association as prescribed under Section 8 of Corporate Circular HDH No. 14-002.

For CAs which will not avail of the services of a contractor/developer, SHFC may allow them to undertake site development and house construction under a self-help scheme.

VI. PAYMENT OF LOAN

The CA will start paying its monthly amortization upon full release of the loan proceeds or upon expiration of the one (1) year period within which the loan should be fully released, whichever comes first.

VII. PROJECT COMPLETION

The Site Development and House Construction shall be completed within a period of one (1) year from date of availment.

VIII. RELEASE OF THE LOAN

Release of the loans shall be made based on progress billing and in accordance with the approved work plan. Releases shall be made up to a maximum of five (5) program tranches within a period of one (1) year.

In cases when the property has no physical development such as roads, drainage, water and power system, the mobilization fund

equivalent to fifteen percent (15%) of the total loan amount may be released provided that the project is covered by a Performance Bond.

Succeeding releases shall be in accordance with the approved work and drawdown schedule that will not exceed a duration of one year.

IX. COLLATERAL

The land to be acquired by the CA shall serve as the CMP loan collateral as provided for under Section 3 (3.7) of Corporate Circular No. 11-017 Series 2011.

In addition, the landowner should have the legal capacity to mortgage the subject property as a security or collateral for the CMP.

X. INSURANCE

The member beneficiaries of the CA shall be compulsorily covered by Mortgage Redemption Insurance (MRI) for the duration of the loan which is equivalent to his share in the community Site Development Loan. For House Construction Loan, the member beneficiaries shall be compulsorily covered by Fire and Allied Perils Insurance (FAPI).

X.1 Mortgage Redemption Insurance (MRI)

The insurance premium for the 1st year of coverage shall be paid in advance. Premium for the succeeding years shall be paid on a monthly basis which shall be included in the monthly amortization of the member beneficiary.

X. 2 Fire and Allied Perils Insurance (FAPI)

The house and its improvements shall be covered by FAPI for an amount equivalent to the loan or appraised value of the unit and/or its improvements. The insurance premium for the 1st year of coverage shall be paid in advance which is equivalent to the member beneficiary's share in the Community 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.



XI. PARTNERSHIP WITH LOCAL GOVERNMENT UNITS

In order to facilitate the approval of the site development and house construction plans and to obtain permits, SHFC and the Community Associations shall coordinate with the Local Government Units concerned under the City-Wide Development Approach.

XII. DOCUMENTARY REQUIREMENTS

FOR LOAN APPLICATION

A. Mortgage Examination Department

1. MOA between the contractor/partner and the CA, if applicable
2. Business Registration, if applicable
3. Secretary's Certificate of the CA to avail the Site Development Loan and/or House Construction Loan
4. Updated HLURB Certified Copy of GIS of the CA
5. Updated Real Property Tax Clearance
6. Incorporation Papers of the CA (if Lot Acquisition is not under CMP)
7. Latest Tax Declaration (if Lot Acquisition is not under CMP)

B. Project Accreditation, Evaluation, Monitoring and Loan Examination Department

1. Application Letter
2. MOA between the contractor/partner and the CA, if applicable
3. Revised Masterlist of Beneficiaries with Loan Apportionment
4. Proof of CA Savings
5. Community Profile (if Lot Acquisition is not under CMP)
6. Contractor's Business Permit to Operate, if applicable

C. Technical Services Department

For Site Development Loan:

1. Complete set of LGU Approved Site Development Plan
2. Site Development Work Schedule
3. Development Permit

For House Construction Loan:

1. Complete set of LGU Approved House Plan, if applicable
2. Building Permit, if applicable
3. House Construction Schedule

FOR INITIAL LOAN RELEASE

1. Board Approval of the Project (Notice to Proceed)
2. Letter request for release of loan
3. Proof of Payment of three (3) months Cash Deposit and one (1) year MRI Premium
4. Accomplishment Report with Pictures from CA/Developer (validated by TSD) or Performance Bond
5. Loan Documents
 - i. Loan Agreement
 - ii. Promissory Note
 - iii. Real Estate Mortgage
 - iv. Deed of Assignment of Loan Proceeds
 - v. Collection Agreement (if Lot Acquisition is not CMP)
6. Masterlist of Beneficiaries with Loan Apportionment

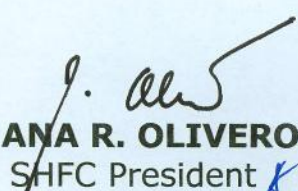
FOR SUBSEQUENT LOAN RELEASE

1. Letter request for release
2. Promissory Note
3. Deed of Assignment of Loan Proceeds
4. Amended Lease Purchase Agreement at the final loan release
5. Accomplishment Report with Pictures from CA/Developer (validated by TSD)

XIII. EFFECTIVITY

This circular shall be effective and in force immediately upon its posting in the SHFC website.

For your information and guidance.


MA. ANA R. OLIVEROS
SHFC President

September 02, 2014