



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

Corporate Circular CMP No. 15 - 035
Series of 2015

**SUBJECT : AMENDMENTS TO THE COMMUNITY MORTGAGE
PROGRAM (CMP) OFF-SITE GUIDELINES**

Section 1. Purpose

In line with SHFC's mandate to provide affordable financing to the homeless and underprivileged citizens, the following policy amendments governing CMP off-site projects are hereby promulgated. The amendments intend to make the Program more affordable to its target beneficiaries as well as to address particular issues of occupancy and low collection.

Section 2. Lot Acquisition

SHFC shall purchase the land identified by the Community Association (CA) of the Local Government Unit (LGU) as relocation site. The property to be purchased by SHFC shall be subject to the same review on site suitability, valuation through appraisal, financial feasibility and capacity of the CA.

After acquisition, SHFC as landowner shall enter into a usufruct agreement with the CA wherein the latter shall be authorized to conduct site development and building construction on the said property. Upon acquisition by SHFC, the CA shall be required to immediately file for development and building permits.

The usufruct arrangement shall be effective for a period of two (2) years commencing from the date of signing of the usufruct agreement. However, the usufruct arrangement may be extended by SHFC. After the termination of the usufruct arrangement, SHFC shall dispose the property to the CA. As such, the CA may apply for an additional lot acquisition loan from SHFC. Upon purchase, the

property shall stand as collateral to the lot acquisition, site development and house construction loans.

If after two (2) years and no site development and house construction has been done on the project site, the usufruct shall be automatically terminated and the project shall be offered to other qualified community associations.

Section 3. Loan application and Eligibility for Site development and Building construction

The loan eligibility requirements provided for under Corporate Circular CMP No. 017 shall be used in evaluating the qualifications of the CA. However, in order to expedite the processing of the loan for site development and house construction, the submission of the Masterlist of Beneficiaries with Loan Apportionment (MBLA) and Lease Purchase Agreements (LPAs) will be done prior to release of the last tranche for the site development or housing construction loans. As temporary requirement, the CA shall submit a List of Member-Beneficiaries.

MBs who are updated their monthly amortization payments for site development loan for a period of the three (3) consecutive months, may avail of the housing construction loan with SHFC.

The one (1) year Mortgage Redemption Insurance (MRI) payment for site development/house construction loan as well as the three (3) months advance amortizations for site development shall be paid by the CA prior to loan release. With respect to the 3 months advance amortizations for the house construction loan, it shall be tacked in with or included in the MBs' monthly amortization during the first year.

All cost pertaining to the procurement of permits for the site development and house construction shall be for the CAs account.

Section 4. Payment of the Purchase Price

The landowner shall be paid the total amount of the purchase price upon transfer of the title/s to SHFC's name. However, the landowner may request for release of

eighty percent (80%) of the purchase price upon submission of the following documents:

- 1) Updated real property tax;
- 2) Tax Clearance certificate;
- 3) Certified true copy of the latest title/s for purchase;
- 4) Deed of Absolute Sale;
- 5) Original Owner's Duplicate Copy/ies of the title/s; and,
- 6) Documents in compliance to Board conditions, other technical and legal findings, if any.

The remaining balance of twenty percent (20%) shall be released upon transfer of title/s to SHFC's name. 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 5. Taxes and transfer expenses

The following costs for transferring title/s to the land in the name of SHFC shall be for the account of the following parties:

a) Landowner

- 1) Documentary stamp tax on the sale
- 2) Notarization of the Deed of Absolute Sale
- 3) Payment of real property tax due prior to release of the price
- 4) Other applicable taxes due from the landowner
- 5) Capital gains tax

b) Community Association

- 1) Registration expenses with the Register of Deeds
- 2) Transfer fees
- 3) Assessor's fee (tax declaration)

Section 6. Period and Amount for Purchase from SHFC to CA

The CA shall purchase the land from SHFC anytime during the effectivity of the usufruct. The purchase price shall be the original acquisition cost inclusive of all expenses relating to the transfer of title to SHFC's name.

Section 7. Amortization Payment

The member-beneficiaries shall commence paying their monthly amortization after one (1) month from release of the last tranche of the loans. Those who have availed of additional housing loans shall be required to pay the amortizations for the additional loan also after one (1) month from its release.

Section 8. Mortgage Collateral

The site development and housing construction loans shall be secured by a chattel mortgage on the houses built by the MBs on the land owned by the SHFC. In case the CA opts to purchase the land from SHFC, it may apply for an additional lot acquisition loan from SHFC subject to applicable guidelines, rules and regulations. Thereafter, the land shall stand as additional collateral for the loans.

Section 9. Assessment of the Contractor/Developer

SHFC shall review the capacities and credentials of the Contractor/Developer hired by the CA. The CA shall submit a report to SHFC showing the process of how they selected their Contractor/Developer.

As part of due diligence, SHFC will assess the Contractor/Developer hired by the CA based on financial stability, managerial capability, organizational structure, technical expertise, and delivery capability and experience as outlined in the Contractor's Evaluation (HDH-CEP Form) attached as ANNEX "A".

The contractor shall meet at least the minimum requirements corresponding to each PCAB licensed category *vis-a-vis* the Allowable Range of Contract Cost of the project. In case of developers, they must be members in good standing of Chamber of Real

Estate and Builders' Associations Inc. (CREBA), Subdivision and Housing Developers Association Inc. (SHDA) or Organization of Socialized Housing Developers of the Philippines (OSHDAP).

Section 10. Loan Release for Site Development and House Construction—

Upon review/assessment of the credentials of the Contractor/Developer and the required documents and permits as contained in ANNEX "B" hereof, Management shall endorse the project for Board approval. Upon approval, a Notice to Proceed shall be issued and the CA shall request for the mobilization fund equivalent to fifteen percent (15%) of the site development or house construction loans.

The CA shall execute a Deed of Assignment of loan proceeds in favor of the Contractor/Developer and submit the same to SHFC prior to the release of the said loan.

Release of the loan shall be made in progress billing and in accordance with the approved work schedule. Releases shall be made up to a maximum of eight (8) tranches (inclusive of the 15% mobilization fund). For every payment of loan release, submission of the following requirements shall be made:

- a) Statement of Work Accomplishment (SWA) indicating the percentage of work progress signed by the developer/contractor, the Community Association, Construction Project Management (CPM) manager and SHFC Inspection Team
- b) Pictures of the project (showing actual progress)
- c) Billing requirements

Prior to the release of each drawdown, SHFC shall determine if the collateral value of the land, including its improvement is sufficient to cover the loans based on the reports submitted by TSD.

Section 11. Developer/Contractor's Certification

The developer/contractor shall execute a certification that the submitted plans, designs and specifications conform to all pertinent national laws and regulations as



well as local ordinances and regulations and that all completed works were done in accordance with submitted plans, designs and specifications. Should there be variances on the standards, the developer/contractor shall submit the certification from concerned agencies that they have been granted exemptions and that SHFC shall not be held liable for any deviations made on said standards in the future.

Section 12. Retention Fee

SHFC shall retain ten percent (10%) of the Contract Price as retention fee which shall cover defective works, if any. This shall be released to the Contractor/Developer from issuance of Certificate of Completion and Acceptance and actual occupancy by the CA member- beneficiaries, and satisfactory validation reports submitted by the TSD. Any repairs shall be made before the release of the retention fee.

Section 13. Performance Security


A performance security from the Contractor/Developer shall be required as security for the completion of site development and building construction. The performance security shall be in the form of a surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security, in an amount equivalent to fifteen percent (15%) of the total contract price.

The security shall be released within fifteen (15) days from the time of completion of the project subject to the satisfactory validation reports submitted by the TSD.

This Circular supersedes all previous Circulars and issuances on the same subject and shall be effective immediately.


MA. ANA R. OLIVEROS

President 

 Date approved: Sept. 7, 2015

