

HOME DEVELOPMENT MUTUAL FUND

Corporate Headquarters
Petron MegaPlaza
358 Sen. Gil Puyat Ave.,
Makati City

HDMF Circular No. 300

TO: ALL CONCERNED

**SUBJECT: GUIDELINES IMPLEMENTING THE PAG-IBIG FUND HOUSING
LOAN RESTRUCTURING AND PENALTY CONDONATION
PROGRAM**

Pursuant to Section 15 (e) of Republic Act No. 9679, of the HDMF Law of 2009, the **Guidelines Implementing the Pag-IBIG Fund Housing Loan Restructuring and Penalty Condonation Program**", are hereby issued:

I. GENERAL PROVISIONS

A. OBJECTIVE

The "Pag-IBIG Fund Housing Loan Restructuring Program", hereinafter referred to as the "Program", seeks to achieve the following objectives:

1. Assist delinquent borrowers/installment buyers to preserve their properties from foreclosure or cancellation of Contract-to-Sell (CTS) by providing them the opportunity to update or restructure their accounts under affordable terms;
2. Provide relief to delinquent borrowers/installment buyers through condonation of accumulated penalties;
3. Update delinquent accounts;
4. Fully pay delinquent accounts.

B. COVERAGE

These guidelines shall cover all delinquent housing loan borrowers whose accounts are at least three (3) months in arrears, except Window 1 accounts.

C. IMPLEMENTATION PERIOD

1. This program shall be implemented beginning January 1, 2012.
2. Penalty condonation may only be availed of until June 30, 2012.
3. Applications filed after June 30, 2012 shall only be eligible for loan restructuring.

4. Upon effectivity of these guidelines, the accounts of delinquent borrowers who failed to file an application for loan restructuring, with or without penalty condonation, shall be endorsed to foreclosure or their corresponding CTS shall be cancelled within thirty (30) days from the receipt of the appropriate notices.

D. PROCESSING OF APPLICATIONS

1. Only applications with complete documents/requirements will be processed.
2. Borrower's Eligibility
 - 2.1. The borrower has the capacity to pay the restructured loan, wherein the monthly amortization of the restructured loan shall not exceed forty percent (40%) of the family's net disposable income (NDI).

The family's NDI shall be the gross monthly family income less statutory deductions and monthly amortizations on outstanding obligations. For this purpose the monthly income of family members up to the second civil degree of consanguinity and first civil degree of affinity shall be considered.

Family members whose incomes are considered in the computation of the family's NDI will be considered as co-borrowers and shall be jointly and severally liable for the loan. They shall be required to sign the necessary documents relative to the loan application. Their combined capacity to pay must be within the required NDI at any given time during the term of the loan.
 - 2.2. For a legal heir, the eligibility requirement pertaining to the borrower's capacity to pay the restructured loan shall be waived. A legal heir shall be as defined under the law of intestate succession.

If the legal heir is not a Pag-IBIG member, he shall be required to register with the Fund. Membership contributions shall be paid simultaneously with monthly housing loan repayments.
 - 2.3. An inactive delinquent borrower/installment buyer shall be required to reactivate his membership and update his contributions from the time he became inactive until application for loan restructuring. Once membership has been reactivated, succeeding membership contributions shall be paid simultaneously with monthly housing loan amortization payments.
3. Borrowers shall be required to update their Real Estate Tax payments and pay one year insurance premiums. If the borrower cannot update said tax payments, the Fund may advance the payment and shall form part of the interest-bearing principal, provided he is able to present an updated computation of the real estate tax due.
4. A CTS account whose borrower has passed the eligibility criteria mentioned in Item I-D Section 2 shall be converted to REM upon approval of the application for loan restructuring. Conversion expenses shall be for the account of the borrower which shall be paid upon approval of application for this program.

However, in case the borrower previously paid retention fees for conversion purposes, the same shall be used by the Fund to convert the account into REM. Should the retention fees paid be insufficient to cover the conversion expenses, the difference between said conversion expense and retention fees paid shall be shouldered by the borrower.

5. A borrower may avail of loan restructuring only once under these guidelines.

E. DOWN PAYMENT

A down payment shall be required from borrowers whose application for the program is approved. The amount of down payment shall be based on the following categories:

1. Category A

A down payment of at least ten percent (10%) of the total arrearages shall be required from the following borrowers:

- 1.1. Borrowers whose mortgages may be any of the following:
 - 1.1.1. Are still with the Billing and Collection Department/Housing Loans Division despite delinquency and are not yet endorsed for foreclosure;
 - 1.1.2. Endorsed for filing of petition for extra-judicial foreclosure;
 - 1.1.3. Foreclosed where the winning bidder is the Home Development Mutual Fund but prior to the registration of the COS with the Registry of Deeds (RD) .
- 1.2. Borrowers whose loans are secured by an assignment of CTS, provided it is not yet cancelled by notarial act;
- 1.3. Installment buyers under the "Magaang Pabahay, Disenteng Buhay" Program (HDMF Circular No. 232) and Revised Guidelines on the "Magaang Pabahay, Disenteng Buhay" Program (HDMF Circular No. 266), provided the CTS account is not yet cancelled by notarial act;
- 1.4. Installment buyers under CTS Generic transactions provided the CTS account is not yet cancelled by notarial act;
- 1.5. Legal heirs of deceased borrowers / installment buyers with unpaid loan balances/installments after application of the proceeds of the Mortgage/Sales Redemption Insurance (MRI/SRI) and Total Accumulated Value (TAV);
- 1.6. An account that has been surrendered to the Fund through *dacion en pago*, the title of which had not been consolidated or transferred in the name of the Fund; and
- 1.7. Accounts under Folio I and Unified Home Lending Program (UHLP) regardless of the status of the said accounts.

2. Category B

The following borrowers shall be issued a Notice of Foreclosure and will be given thirty (30) days from receipt of said notice to apply for loan restructuring under these guidelines. Otherwise, the Fund shall proceed with the foreclosure of their properties.

- 2.1. Borrowers who availed of loan restructuring under Circular No. 248.
- 2.2. Any account restructured for at least three (3) times from original loan takeout under previous guidelines
- 2.3. Any account, whether previously restructured or not, without a single payment since takeout, including those whose only payment resulted from its deduction from the takeout proceeds;
- 2.4. An account in which the housing unit has been abandoned by the borrower for more than one (1) year from the date of delinquency;
- 2.5. An account in which the housing unit is occupied by a third party other than the original registered beneficiary or his legal heirs.

A down payment of at least twenty percent (20%) of the total arrearages shall be required from these borrowers should they avail of this program.

3. Category C

For a borrower whose actual amount for restructuring results in a monthly amortization that is more than the 40%-NDI requirement, the loan amount shall be adjusted in order to satisfy said NDI requirement. The borrower shall then be required to pay as down payment the difference of the actual amount for restructuring and the adjusted loan amount.

The borrower may use the dividends portion of his Total Accumulated Value (TAV) either as payment for the past due loan obligation or as downpayment for the restructured loan.

F. PENALTY CONDONATION

All penalties incurred by the borrower shall be condoned upon approval of application for the program, provided his application is filed not later than June 30, 2012.

II. TERMS AND CONDITIONS

A. RESTRUCTURED LOAN AMOUNT

1. The restructured loan amount shall include the following

1.1. Interest bearing

- Principal (inclusive of outstanding principal balance and principal arrearages)
- Insurance premium arrearages
- Real Estate Taxes advanced by the Fund, if applicable

- Unpaid HCF / HFC / MOF / LAF / MAF / SAF

1.2. Non-interest bearing

- Unpaid Interest
- Uncondoned Penalties (if applicable)
- Foreclosure Expenses (if any) and other expenses

2. For a delinquent account which is in the process of foreclosure but prior to the registration of the COS, the following foreclosure expenses shall be added to the amount to be restructured:

- 2.1. Filing Fee - computation shall be based on outstanding loan obligation in accordance with the Schedule of Fees issued by the Office of the Clerk of Court;
- 2.2. Cost of publication of the extrajudicial foreclosure of mortgage;
- 2.3. Sheriff's Fee;
- 2.4. Notarial Fee;
- 2.5. Attorney's fees - for branches with retainers handling accounts for foreclosure.

The Fund shall not collect attorney's fees for foreclosure actions which are handled by internal lawyers of the Fund.

The borrower may either fully pay all the costs and expenses incurred by the Fund relative to the preparation for foreclosure, sale and custody of the properties or pay these expenses over a fixed period.

3. The cut-off date for the computation of outstanding loan obligation shall be the date of approval of application for loan restructuring.

B. INTEREST RATE

1. The interest rate on the loan prior to application for loan restructuring shall be maintained and shall be charged on the restructured loan amount.
2. For an account originally taken out or previously restructured under a two-interest structure, a single interest structure shall be adopted upon loan restructuring. The applicable rate shall be based on the non-prompt interest rate of the original loan.
3. For accounts taken out under Circular No. 148 which has not been restructured under a single interest rate scheme and with loan amount between P150,000 to P180,000, the weighted average interest rate shall apply (where P150,000 is charged with 9% interest rate per annum and any amount on top of that up to P30,000 is charged with 12% interest rate). The computation of the weighted average interest rate shall be based on the original loan amount.
4. In case where a previously restructured loan was classified as separate and distinct from the original loan, a weighted average interest rate shall also be applied to said loans.

5. Repricing

Restructured loans with original loan values over Four Hundred Thousand Pesos (P400,000.00) shall be repriced every three (3) years, reckoned from the date of approval of loan restructuring. At the beginning of the thirty-seventh (37th) month and every scheduled date of repricing thereafter, the Fund shall reprice the interest rate based on prevailing market rates at point of repricing, provided the following are satisfied:

- a. Rates shall not be lower than those provided in Item II-B.1-4 hereof;
- b. The initial repriced rates shall not exceed a two percent (2%) increase from the rates mentioned in the said sections; and
- c. The subsequent repriced rates shall not be higher by more than two percent (2%) than the immediately preceding repriced rate.

The borrower shall be duly notified two (2) months prior to repricing.

C. TERM

The restructured loan shall be payable within thirty (30) years but not to exceed the difference between the borrower's present age and age seventy (70).

In cases of tacked loans, the loan shall be payable within thirty (30) years but not to exceed the difference between the age of the youngest co-borrower's present age and age seventy (70), provided further than at any time within the term of the loan, the monthly amortization shall not exceed 40% of the family's NDI.

D. SECURITY

The restructured loan shall be secured by the same collateral that secured the original loan.

E. OBLIGATION TO PAY MEMBERSHIP CONTRIBUTIONS

1. The borrower/installment buyer/legal heir shall be required to pay the mandatory membership contribution subject to the loan guidelines existing at point of loan takeout.
2. The borrower/installment buyer/legal heir shall be required to pay the upgraded membership contribution required under the original loan until full payment of his restructured loan.
3. If the borrower/installment buyer/legal heir has arrearages in his membership contributions (mandatory and/or upgraded), he shall be required to update said arrearages or submit a plan of payment for the same prior to approval of loan restructuring.

F. LOAN PAYMENT

1. The restructured loan shall be paid in equal monthly amortizations over the loan period in such amounts as may fully cover the principal, interest, insurance premiums and other loan obligations.
2. Said amortization shall be paid monthly, where the first payment shall be made one month from approval date of loan restructuring.
3. If the borrower is still employed, payments shall be made through a salary deduction scheme pursuant to a collection agreement with his employer. The borrower shall execute an Authority to Deduct the monthly loan amortization from his salary, and shall secure the conformity of his employer for the purpose.

Upon approval of loan restructuring, the borrower shall pay his first monthly amortization in advance, the amount of which is based on the approved restructured loan, directly to the Fund.

4. In case a salary deduction scheme is not feasible, monthly payments on the housing loan may be collected through any of the following modes:
 - 4.1. Post-dated checks issued by the borrower, co-borrower or relatives up to the first civil degree of affinity or consanguinity, initially to cover the first twelve (12) monthly amortizations. PDCs must be dated on the date that coincides with the date of approval of loan restructuring.
 - 4.2. Over-the-counter;
 - 4.3. Through accredited collecting agents/banks;
 - 4.4. Auto-debit arrangement with banks, or
 - 4.5. Through any collecting system which the Pag-IBIG Fund may adopt in the future.
5. Should the due date fall on a holiday or a non-working day, the monthly payments shall be paid on the first working day after the said due date. Otherwise, the corresponding penalty charges shall apply.
6. The monthly amortization shall be applied according to the following order of priorities:
 - a. Mandatory membership contribution (for directly-paying members)
 - b. Upgraded membership contribution (*if applicable*)
 - c. Penalty (*if applicable*)
 - d. MRI/SRI/Fire and Allied Perils Insurance
 - e. HCF / HFC / MOF / LAF / MAF / SAF
 - f. Interest
 - g. Non-interest bearing Principal
 - h. Interest bearing Principal

7. In case there is deficiency after application of payment, such deficiency shall be satisfied by subsequent monthly payment, and any remaining amount thereof shall be applied according to the order of payments mentioned above.
8. Both mandatory and upgraded contributions, if any, shall be paid together with the monthly payment under any of the following circumstances:
 - a. In case the member-borrower is self-employed upon application for loan restructuring; or
 - b. In the event the member-borrower becomes unemployed anytime within the term of the loan.

However, for employed member-borrower, only the upgraded contributions shall be paid together with the monthly payment.

9. Delayed Payment

A borrower who fails to pay the monthly amortization/installment on the restructured loan on or before the due date shall be charged a penalty of one-twentieth of one percent ($1/20$ of 1%) of the amount due for the month per day of delay.

G. PREPAYMENT

1. A borrower may be allowed to prepay his loan in full or in part without prepayment penalty.
2. In case of accelerated payments, any amount in excess of the monthly amortization due shall be treated as future amortization. However, upon request of the borrower and provided the amount to be applied is equivalent to at least one monthly amortization, said amount shall be applied to the non-interest bearing principal. If the non-interest bearing principal is already fully paid, excess payments shall be applied to the interest bearing principal.

The borrower's preferred treatment of his excess payment shall be properly disclosed on the Pag-IBIG Fund Receipt (PFR).

H. DEFAULT

The borrower shall be considered in default when he or any of his co-borrowers fails to pay any three (3) consecutive monthly amortizations and/or monthly membership contributions and other obligations on the loan.

I. EFFECTS OF DEFAULT

1. At point of default, all penalties condoned shall be restored and shall become due and demandable together with the outstanding loan, accrued interest, penalties, fees and other charges. The said amount shall likewise be subject to the following:
 - 1.1. The unpaid monthly payments shall continue to be charged with a penalty equivalent to $1/20$ of 1% of the amount due for every day of delay.

- 1.2. It shall continue to bear interest at the stipulated rate from the time the outstanding loan become due and demandable.
2. The member's TAV shall be applied to the outstanding loan obligation of the borrower prior to the filing of extrajudicial foreclosure of mortgage or prior to the execution of the Dacion en Pago Agreement in favor of the Fund.
3. In cases of tacked loans, the co-borrower's TAV shall also be applied for the same purpose if the principal borrower's TAV is not sufficient.
4. If the outstanding balance is fully paid after application of the borrower's TAV, and his co-borrowers' TAVs if applicable, the mortgage executed in favor of the Fund shall be released. However, if the member's and his co-borrowers' TAVs are not sufficient to cover the outstanding balance of the loan, the Fund shall foreclose the mortgaged property.
5. The account shall be endorsed for foreclosure.
6. The borrower may assign the mortgaged property in favor of the Fund through Dacion en Pago in settlement of his outstanding loan obligation.

J. INSURANCES

1. All restructured accounts shall be covered by the following insurances:
 - 1.1. Mortgage/Sales Redemption Insurance (MRI/SRI) – the principal borrower/installment buyer shall be covered by MRI/SRI, based on the total restructured loan amount. For borrowers tacked into a single loan, only the principal borrower shall be covered by the MRI/SRI to the full extent of the loan.

In case the restructured loan exceeds P2 Million and/or the borrower's age is over sixty (60) but not more than sixty-five (65) years old, the borrower shall meet the underwriting requirements and pay the appropriate premiums. In addition, the borrower shall avail of external insurance for the amount in excess of P2 Million, the policy proceeds of which shall be assigned to the Fund.
 - 1.2. Fire Insurance and Allied Perils – the premium shall be based on the premium of the original loan.
2. The borrower shall be required to pay the first year's premiums for the MRI/SRI upon approval of the application for loan restructuring.

III. LOAN DOCUMENTATION

1. A Health Statement Form shall be required from the following:
 - 1.1. Those who are over 60 years old at point of application for loan restructuring and whose loan term has not yet expired;
 - 1.2. Those with outstanding loan obligation over two million pesos (P2M) up to three million pesos (P3M).

Said form shall be accomplished in the borrower's own handwriting, signed, dated, and witnessed by one person. In case the insurance coverage is disapproved, the borrower shall be required to secure an external insurance coverage, the policy of which shall be assigned to the Fund. (Please refer to end-user guidelines)

2. The borrower shall execute a Restructuring Agreement and a new Promissory Note (PN), wherein:
 - 2.1. The original loan and the restructured loan shall be consolidated under these guidelines;
 - 2.2. Should there be co-borrower/s, they shall signify their conformity on the Promissory Note and Restructuring Agreement
 - 2.3. The Loan and Mortgage Agreement executed between the Fund and the original borrower shall form an integral part of the Restructuring Agreement by reference.
3. For CTS accounts with an issued Notice of Cancellation, a Deed of Revocation on said notice shall be executed, provided that the 30-day period from date of receipt of the said Notice of Cancellation has not yet lapsed.
4. The borrower's ledgers for the original loan and/or restructured loan shall be consolidated, including the restructured obligation arising from these guidelines.
5. The Fund shall facilitate the transfer of title and tax declaration for CTS accounts in the name of the borrower and the registration of the Real Estate Mortgage in favor of the Fund after approval of loan restructuring. Costs in excess of the retained amount for conversion shall be for the account of the borrower.

IV. AMENDMENTS

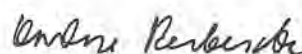
The Senior Management Committee may amend, modify or revise these guidelines provided, the amendments, modifications, and revisions thereof, are in furtherance of the objectives of this program and consistent with the mandate of the Fund under its charter and existing laws.

V. REPEALING CLAUSE

HDMF circulars, other clarificatory memoranda, rules, regulations and issuances inconsistent herewith are hereby repealed, amended or modified accordingly.

VI. EFFECTIVITY

These guidelines shall take effect on January 2, 2012.



ATTY. DARLENE MARIE B. BERBERABE
Chief Executive Officer