

HOME GUARANTY CORPORATION
IMPLEMENTING RULES AND REGULATIONS FOR THE HOUSING LOAN
RESTRUCTURING AND CONDONATION OF PENALTIES UNDER R. A. 9507,
OTHERWISE KNOWN AS THE “SOCIALIZED AND LOW COST HOUSING
LOAN RESTRUCTURING AND CONDONATION PROGRAM”, PROVIDING
THE MECHANISM THEREFOR AND FOR OTHER PURPOSES

Section 1. DEFINITION OF TERMS

As used in this “IRR for the Housing Loan Restructuring and Condonation Program under R.A. 9507”, the following terms shall be defined as follows:

- a) **“Abandoned Unit”** refers to a housing structure that has not been occupied by the borrower-owner for more than one (1) year from the date of delinquency.
- b) **“Condonation”** means the relief given by law in the payment of penalties, surcharges and a portion of accrued interest, as approved by the HGC Board of Directors.
- c) **“Contract-to-Sell”** pertains to a bilateral contract whereby HGC as seller expressly reserve the ownership of the subject property despite delivery thereof to the buyers and binds itself to deliver the title of the said property to the buyers upon full payment of the purchase price.
- d) **“Dacion en pago”** refers to the mode of extinguishing an obligation whereby the debtor alienates in favor of the creditor property for the satisfaction of monetary debt.
- e) **“Delinquent Accounts/Borrowers”** refer to accounts/borrowers with accumulated arrearages equivalent to at least three (3) months of unpaid monthly amortizations/payments as of March 16, 2009.
- f) **“Fire and Allied Perils Insurance”** refers to a yearly renewable term insurance on the housing structure subject of a loan/sale against fire, lightning, earthquake shocks, typhoons and floods.
- g) **“Force Majeure”** refers to those events which cannot be foreseen or, if foreseeable, cannot be prevented or avoided by the exercise of due diligence such as strikes or other labor difficulties, rebellion or insurrection, acts of war, riots or civil commotions, acts of public

enemies, national emergencies, fire, flood, earthquake or other catastrophes or acts of God.

- h) **“Foreclosed Accounts”** refer to accounts that have been issued Certificate of Sale (COS) by virtue of auction sale conducted by the court, sheriff or notary public and with expired redemption period.
- i) **“Foreclosure”** refers to the legal procedure either judicially or extra-judicially, as long as due process is observed, for enforcing claims against a mortgagor in default of payment of its obligation.
- j) **“Guaranteed Accounts”** means accounts assigned or conveyed to HGC pursuant to its guaranty business.
- k) **“IRET”** means Interest Repricing and Extension of Repayment Term pursuant to HGC Board Resolution No. 36-2005 dated September 20, 2005, wherein the original interest rate of qualified delinquent accounts are repriced to 6% to 12% depending on the original loan value and the repayment term is extended to a maximum of twenty (20) years.
- l) **“Legal Heirs”** pertain to persons who are called to succeed to the rights and interests of a deceased person either by provision of a will or by operation of law.
- m) **“Loan Restructuring”** refers to a process where the principal terms and conditions of the original loan are modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis.
- n) **“Mortgage Redemption Insurance”** refers to a yearly renewable term insurance where the borrower is covered for an amount equal to the restructured obligation. This also refers to Loan/Sales/Housing Redemption Insurance.
- o) **“Outstanding Obligation”** refers to the sum of the outstanding loan principal, unpaid principal, accrued interests and penalties, insurance premiums, taxes, foreclosure and other incidental expenses, if any.
- p) **“Program”** refers to the Socialized and Low Cost Housing Loan Restructuring and Condonation Program established under R.A. No. 9507.
- q) **“Redemption”** means regaining possession of a mortgaged property by paying the debt or fulfilling other obligations.

- r) **“Restructured Obligation”** refers to the sum of the interest bearing and non-interest bearing obligation.

The interest-bearing portion refers to the total outstanding loan principal, unpaid principal, unpaid insurance premiums, taxes, foreclosure and other incidental expenses, if any.

The non-interest bearing portion refers to the remaining accrued interest due net of condoned portion, if any, to be paid in equal monthly amortization within the term of the restructured obligation.

- s) **“Socialized and Low-Cost Housing Loans/Obligations”** refer to housing loans/obligations the original amounts of which are within the housing loan ceilings as determined by the HUDCC and the original principal obligations of which do not exceed ₱2.5 million. These also refer to the obligations of community/group/homeowners’ associations (HOA) provided the principal amount of the individual member’s loan does not exceed ₱2.5 million. These further refer to installment receivables covering the sale of housing units/lots on installment basis, the selling price of which does not exceed ₱2.5 million.
- t) **“SRP”** means Special Repayment Program pursuant to HGC Board Resolution No. 03-2006 dated May 8, 2006, wherein qualified delinquent borrowers can amortize their obligations categorized as the interest bearing portion and the non-interest bearing portion for a maximum period of twenty (20) years.
- u) **“Successors-in-interest”** refer to the assignees, transferees and buyers of rights who have assumed the original loan as supported by legal documents, including Special Power of Attorney (SPA), duly approved by HGC.

Section 2. COVERAGE

- a) This program covers all outstanding housing loans granted, acquired and being serviced by the Home Guaranty Corporation (HGC) as follows:
1. Guaranteed accounts assigned/conveyed to HGC by virtue of call payments;
 2. BDC (Bliss) Accounts (exclusive of short term and renewable Contracts of Lease);
 3. Abot-Kaya Pabahay Fund accounts;
 4. Folio I (Retail-NHMFC Assigned Accounts);

5. Community Mortgage Program and Cooperative Housing Program accounts;
 6. HGC in-house retail accounts; and
 7. Trust Accounts (subject to approval of trustor).
- b) The borrowers on record, including successors-in-interest/legal heirs, as of March 16, 2009 shall benefit from this program.
 - c) The program shall be implemented for a period of eighteen (18) months from March 16, 2009.

Section 3. CONDITIONS

- a) The housing loan must have accumulated arrearages equivalent to at least three (3) monthly amortizations/payments as of March 16, 2009.
- b) The original principal amount of the housing loan does not exceed Two Million Five Hundred Thousand Pesos (₱2,500,000.00).
- c) The member-borrower may apply only once for the restructuring and condonation of penalties on the entire loan amount, except in case of force majeure affecting the ability of the borrower to fulfill his/her financial obligations under the contract.
- d) Borrowers who have availed themselves of any previous condonation program of HGC or any government financial institution or housing agency may still avail themselves of the benefits of this new condonation and loan restructuring program.
- e) The program provided for under R.A. 9507 shall be construed as a separate and distinct program from the ones being implemented by HGC.
- f) Qualified borrowers shall be notified through letter, publication or posting at his/her last known address, or at the unit subject of the loan on how they can avail themselves of this program.

Section 4. EXCLUSION FROM COVERAGE

The following housing loan accounts shall not be covered by this Act:

- a) Any account without a single payment since take-out/effectivity of Contract to Sell;

- b) An account which housing unit has been abandoned by the borrower-owner for more than one (1) year from the date of delinquency;
- c) An account which housing unit is assigned/transferred or occupied by a third party other than the original registered beneficiary or his/her legal heirs/successor-in-interest;
- d) An account that has been foreclosed and the redemption period has already lapsed;
- e) An account covered by a Contract to Sell that has expired or been cancelled; and
- f) An account whose underlying asset has been surrendered to HGC through a dacion en pago, the title of which has already been consolidated/transferred in the name of HGC.

Section 5. SCOPE AND MANNER OF CONDONATION

5.1 General Guidelines

- a) The delinquent borrower/installment buyer, legal heir or successor-in-interest applying for condonation and loan restructuring shall not be charged a processing fee and no downpayment shall be required.
- b) All accumulated unpaid penalties and surcharges on due and demandable arrearages shall be condoned upon approval of the restructuring application.
- c) All due and demandable arrearages in interest, net of condoned amount, shall be treated as non-interest bearing principal to be paid in equal monthly amortizations during the term of the restructured loan.
- d) The outstanding principal balance of the housing loan shall be restructured over the remaining term of the original loan or thirty (30) years, whichever is longer, provided that the extension of the restructured loan shall not exceed the difference between the borrower's age at the time of the application and age seventy (70) at an interest rate of not more than the interest of the original loan or twelve percent (12%), whichever is lower.

- e) Penalties that have been fully paid when a borrower/beneficiary updated his/her account and/or availed himself/herself of this restructuring and condonation program are not within this scope.

5.2 Specific Guidelines

- a) Borrower who has availed himself/herself of the existing restructuring programs of HGC shall be entitled to the following:

1) Special Repayment Program (SRP):

- 1.1) All accumulated unpaid penalties and surcharges on due and demandable arrearages of the non-interest bearing portion of the loan and all accumulated unpaid penalties and surcharges on due and demandable arrearages of the interest bearing portion of the loan after availing himself/herself of SRP shall be condoned upon approval of the restructuring application
- 1.2) All accrued interest of the non-interest bearing portion of the loan and the due and demandable arrearages in interest on the interest bearing portion of the loan after availing himself/herself of SRP, net of the total condoned amount, shall be treated as non-interest bearing principal payable over the restructured term of the loan.
- 1.3) The balance of the interest bearing portion may be payable over the remaining term of the loan or may be extended to thirty (30) years whichever is longer, provided that the extension of the restructured loan shall not exceed the difference between the borrower's age at the time of the application and age seventy (70) at an interest rate of not more than the interest of the restructured loan or twelve percent (12%), whichever is lower.

2) Interest Repricing and Extension of Repayment Term (IRET)

- 2.1) All capitalized penalties and surcharges and due and demandable penalties and surcharges shall be condoned upon approval of the restructuring application.

- 2.2) All capitalized interest before and due and demandable interest, net of the condoned amount, shall be treated as non-interest bearing principal payable over the restructured term of the loan.
 - 2.3) The outstanding restructured principal balance may be payable over the remaining term of the loan or may be extended to thirty (30) years whichever is longer, provided that the extension of the restructured loan shall not exceed the difference between the borrower's age at the time of the application and age seventy (70) at an interest rate of not more than the interest of the restructured loan or twelve percent (12%), whichever is lower.
- b) Borrower whose account has been foreclosed but the redemption period has not yet expired shall be entitled to the following:
- 1) All accumulated unpaid penalties and surcharges on total outstanding obligation shall be condoned upon approval of the restructuring application.
 - 2) The remaining balance of the redemption value inclusive of HGC advances and foreclosure expenses, such as insurances, filing, publication, posting, out of pocket, attorney's fees and other incidental expenses, net of the condoned amount on interest, shall be payable upon approval of the application and before the expiration of the redemption period.
- c) A borrower who is a prompt payor may apply for restructuring of the outstanding principal balance payable over the remaining term of the loan or may be extended to thirty (30) years whichever is longer, provided that the extension of the restructured loan shall not exceed the difference between the borrower's age at the time of the application and age seventy (70) at an interest rate of not more than the interest of the original loan or twelve percent (12%), whichever is lower.

Section 6. AVAILMENT PROCEDURES

Applicants for the program shall follow the following procedures:

- a) The borrower, his/her legal heir or successor-in-interest shall file the application for the Program with HGC.

A SPA shall be accepted only in cases when the party is working overseas and the SPA presented has been executed and duly notarized prior to his/her departure from the country or duly authenticated by the Philippine Consul in the foreign country, or when the applicant is physically incapacitated as evidenced by a Medical Certificate.

- b) HGC shall evaluate the application of the borrower/legal heir/successor-in-interest and if found qualified, require the latter to accomplish the Financial Restructuring Agreement and Promissory Note and affix his/her signature on the Restructured Financial Package.

Section 7. ACCOUNTS OF BORROWERS WHO BECOME PERMANENTLY PHYSICALLY INCAPACITATED

In case of permanent physical incapacity of a borrower, his/her legal heirs and successor-in-interest may assume payment of his/her outstanding housing loan. Such legal heirs and successors-in-interest must pass the HGC's eligibility requirement before they are allowed to assume payment of the borrower's loan obligation. In case of death of the borrower, the proceeds of the Mortgage Redemption Insurance (MRI) shall be fully applied. Any remaining balance shall be amortized by the legal heirs or successor-in-interest.

Section 8. INCENTIVE FOR PROMPT PAYMENT OF MONTHLY AMORTIZATION

All accounts, the monthly amortizations of which are paid on time at all times, shall be entitled to incentives in the form of a one percent (1%) reduction on the interest.

Section 9. REMEDIES AGAINST DELINQUENT ACCOUNTS

- 9.1 The HGC shall continue to exercise its right to foreclose the mortgage, cancel Contracts to Sell or other remedies involving properties covered by the following:

- a) Accounts excluded from the coverage of this program as listed in Section 3;
 - b) Delinquent accounts of borrowers who fail to avail themselves of the benefits under this condonation and loan restructuring program; and
 - c) Accounts of borrowers who avail themselves of the benefits of this program but subsequently defaults in the payment of three (3) consecutive monthly amortizations of the restructured loan.
- 9.2 The foreclosure proceedings shall be exempt from publication in newspapers of general circulation. In lieu thereof, the following shall be undertaken:
- a) Posting of the date and place of auction shall be made for not less than twenty (20) days in at least three (3) conspicuous public places in the city or municipality where the property is situated;
 - b) A written notice of foreclosure shall be sent to the borrower at his/her last known address.
- 9.3 The Contracts to Sell shall be considered cancelled after thirty (30) days from receipt by the buyer of the notice of cancellation or demand for rescission of contract/deed by notarial act sent to his/her last known address or to the address of the subject property.

Section 10. REPORTING

HGC shall submit, through the HUDCC, to the Committee on Urban Planning, Housing and Resettlement of the Senate and the Committee on Housing and Urban Development of the House of Representatives an annual report on the implementation of the condonation and loan restructuring program.

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