

[PRESIDENTIAL DECREE NO. 1267, December 21, 1977]

CREATING A NATIONAL HOME MORTGAGE, FINANCE CORPORATION, DEFINING ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES.

WHEREAS, further measures are necessary to optimize the effective use of funds and resources committed by the Government in response to the housing problem;

WHEREAS, there is an urgent need to effectively increase the level of government funds committed to the housing effort by establishing a secondary market for home mortgages which will enable home financing institutions to optimize the leverage of funds earmarked for housing and home development;

WHEREAS, the development of a secondary mortgage market requires the support and assistance of the Government and the private sector as well;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. *Corporate Body.* — There is hereby created a body corporate to be known as the National Home Mortgage Finance Corporation, hereafter referred to as the "Corporation".

SEC. 2. *Place of Business.* — The Corporation shall have its principal place of business in Metropolitan Manila, but may have such branches and agencies in other places as may be necessary for the proper conduct of its business.

SEC. 3. *Capitalization.* — The Corporation shall have an authorized capital stock of Five Hundred Million Pesos (P500,000,000.00) divided into 500,000 shares with a par value of One Thousand Pesos (P1,000.00) per share, to be subscribed and paid for by the Government of the Republic of the Philippines.

SEC. 4. *Purpose of the Corporation.* — The primary purpose of the Corporation shall be to develop and provide for a secondary market for home mortgages granted by public and/or private home financing institutions.

SEC. 5. *Powers and Functions.* — The Corporation shall have the following powers and functions:

- a. To purchase, acquire, sell, discount, refinance, or otherwise deal in home mortgages or participations therein under such terms and conditions as may be prescribed by the Board of Directors of the Corporation;
- b. Subject to the provisions of Section 7 hereof, to borrow funds from domestic or foreign private or public financial institutions as may from time to time be required for its operations, and to issue bonds, promissory notes, debentures, and other debt instruments in local or foreign currency;
- c. To own, lease, purchase or otherwise acquire, sell or otherwise dispose of, property, real or personal, as may be necessary and appropriate for the conduct of its business;

- d. To invest the funds or monies of the Corporation not invested in mortgage loans in securities issued by the National Government, Central Bank of the Philippines and other government entities, including government-owned and controlled corporations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- e. To enter into and perform such contracts with any person or entity, public or private, as may be necessary, proper or conducive to the attainment or furtherance of the objectives and purposes of the Corporation;
- f. To adopt, alter and use a corporate seal; to sue and be sued; and generally, to exercise all the powers of a corporation under the Corporation Law which are not inconsistent herewith; and
- g. To promulgate such rules and regulations and to do and perform any and all things as may be necessary and proper to carry out its responsibilities, powers and functions under this Decree.

SEC. 6. *Medium and Long-Term Loans.* — Any provision of law, circular or regulation to the contrary notwithstanding, banks are hereby empowered to grant medium and long-term loans for housing and home development with maturity periods not exceeding thirty (30) years.

SEC. 7. *Borrowing Power.* — With the prior approval of the Monetary Board and the President of the Philippines, the Corporation may borrow from foreign public or private financial institutions such amount as may from time to time be required for its operations, or issue bonds, promissory notes, debentures, certificates of indebtedness, and other debt instruments in foreign currency. Notwithstanding the provisions of any law to the contrary, the Central Bank is hereby authorized to extend loan and advances to the Corporation under Section 88 of Republic Act No. 265, as amended, otherwise known as the Central Bank Charter, subject to such terms and conditions as may be prescribed by the Monetary Board.

No part of the proceeds of domestic and/or foreign borrowings shall be used for operating expenses of the Corporation.

The bonds, promissory notes, debentures, certificates of indebtedness and other debt instruments issued in local or foreign currency shall be at such interest rates, maturities and other terms and conditions as the Corporation may determine. The debt instruments may be secured by the assets of the Corporation and shall be fully exempt, both as to principal and interest, from any and all taxes imposed by the Government or any of its subdivision. The debt instruments shall be fully negotiable and shall be unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines, which guaranty shall be indicated on the face thereof.

A sinking fund is hereby created for the payment of the Corporation's bonds issued under the provisions hereof in such manner that the total contribution thereto accrued as at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board, shall be sufficient to redeem the bonds of maturity. The said fund shall be under custody of the Central Bank of the Philippines which shall invest the same in such manner as the Monetary Board may approve; shall charge all expenses of such investment to the said sinking fund, and shall credit the same with the interest on investments and other incomes belonging to it.