

**[ REPUBLIC ACT NO. 1557, June 16, 1956 ]**

**AN ACT TO AMEND, REPEAL, AND ADD NEW SECTIONS TO  
REPUBLIC ACT NUMBERED FIVE HUNDRED EIGHTY, OTHERWISE  
KNOWN AS THE HOME FINANCING ACT, TO ENABLE THE HOME  
FINANCING COMMISSION CARRY OUT ITS FUNCTIONS  
EFFECTIVELY AND TO CORRECT THE DEFICIENCIES OF THE ACT  
IN ORDER TO MAKE IT MORE RESPONSIVE TO PECULIAR LOCAL  
NEEDS AND REQUIREMENTS.**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled.*

SECTION 1. Republic Act Numbered Five hundred and eighty otherwise known as the "Home Financing Act" is hereby amended to read as follows:

*CHAPTER I.—Creation of the Home Financing Commission*

SEC. 2. There is hereby created a body corporate to be known as the Home Financing Commission which shall have its principal place of business in the City of Manila and shall exist for a period of fifty years. The functions of this Commission shall be—

- a. To operate a mortgage insurance program as provided in this Act.
- b. To encourage, aid or initiate the organization or incorporation of building and loan associations as provided in this Act.
- c. To promote home building and land ownership and to promulgate rules and regulations to carry out the provisions of this Act.

SEC. 3. *Membership.*—The Commission shall be composed of five members appointed by the President of the Philippines with the consent of the Commission on Appointments. The President shall designate one of the members as Chairman of the Commission who shall receive a compensation of twelve thousand pesos *per annum*. Any member of the Commission may be removed by the President for cause. Two of the members appointed shall be officers or directors of non-governmental mortgagee-institutions participating in the insured mortgage program in accordance with the provisions of this Act. The members shall receive for each meeting of the Commission attended a per diem of twenty-five pesos: *Provided, however,* That a member shall receive a total of not more than one thousand pesos a year in per diems. The Chairman shall hold office for five years. The members of the Commission shall likewise hold office for five years, with the exception of the members first appointed who shall serve one, two, three and four years,

respectively, as stated in their appointments. Thereafter, the person appointed to succeed a member of the Commission whose term shall have expired shall continue to serve for the full five-year term, and, except in the case of vacancies caused otherwise than the expiry of the term, only one member shall be appointed to the Commission each year. In the event of vacancy, the successor appointed to fill the same shall serve only the unexpired portion of the term of the member he succeeds. Any person who is directly or indirectly interested in a construction company or in firm dealing in building and construction materials and accessories, real estate development companies and financial institutions that may have transactions with the Home Financing Commission shall be disqualified from being a member thereof, except for the two members who are officers or directors of non-governmental mortgagee-institutions participating in the insured mortgage program who shall be appointed as provided in this section.

SEC. 4. *Powers.*—The Commission shall have the following powers:

- a. To insure mortgages and loans upon application by qualified mortgagees as provided in Chapter II of this Act;
- b. To insure the paid subscription of shareholders in Building and Loan Associations as provided in Chapter III of this Act;
- c. To underwrite, purchase, own, sell, mortgage or otherwise dispose of stocks, bonds, debentures, securities and other evidences of indebtedness issued for in connection with the powers enumerated in the preceding paragraphs and under Chapters II and III of this Act.
- d. To issue bonds, debentures, securities, collaterals, notes and other obligations with the approval of the President after consultation with the Monetary Board of the Central Bank of the Philippines, but in no case to exceed for any one time the aggregate amount of the principal obligations of all mortgages and accounts insured under Chapters II and III of this Act plus the amount authorized for the Home Financing Fund in accordance with the provisions of section six of this Act. These bonds and other obligations shall be issued under such terms and conditions as are provided in this Act and the rules and regulations prescribed by the Commission and shall be redeemable at the option of the Commission at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Commission but not more than four per cent *per annum*. Such obligations shall be secured by the assets of the Commission, including the stocks, bonds, debentures and : other securities underwritten, purchased or held by it Sunder the provisions of this Act. The Commission shall provide for appropriate reserves for the redemption or retirement of said obligations. Such obligations may be issued and offered for sale at such price or prices as the Commission may determine, and shall be exempt from taxation as to principal and interest, except estate, inheritance and gift taxes. The said obligations shall be and are hereby fully and unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines and such guaranty shall be expressed on the face thereof. Bonds issued by the Commission shall be registered at the request of the holder thereof under such rules and regulations as may be prescribed by the Commission:
- e. To promote housing by the aided self-help method whereby families with some outside aid build their own houses with their own labor; to provide technical guidance to such families; to own and let out at nominal rental any simple

equipment or tools needed for self building of houses; to insure loans to such families on first liens on house and land and with such other security and conditions as the Commission shall determine, providing at least for ultimate recovery of principals; and to do such other activities as are relevant and significant in such a of aided self-help for housing.

- f. To adopt, alter, and use a corporate seal; to contracts; to lease or own real and personal property; and to sell, mortgage or otherwise dispose of the same;
- g. To sue and be sued in any court of competent jurisdiction;
- h. To employ such officers and personnel as may be necessary to carry out the business of the Commission; otherwise to do and perform any and all things that may be necessary, proper or incidental to carry out the purposes of this Act.

SEC. 5. *The Chairman.*—The Chairman of the Commission shall preside over its deliberations and shall be its General Manager. He shall, on behalf of the Commission, have the direction and control of the business of the Commission in all matters which are not by this Act or by the rules and regulations of the Commission specifically reserved to be done by the Commission. The decisions of the Commission shall be made by a vote of the majority of all its members.

SEC. 6. *Home Financing Fund.*—There is hereby authorized to be appropriated an amount not exceeding five million pesos to be designated as a Home Financing Fund, which shall be used by the Commission to carry out the provisions of this Act; and for this purpose the Commission is hereby authorized, with the approval of the President, to borrow such amounts as may be necessary from any government office, agency, or instrumentality or private financing entity or entities authorized to give loans. This loan may be negotiated in the form of bonds under the authority contained in section four (d) of this Act.

SEC. 7. *Auditor.*—The Auditor of the Commission shall be appointed by the Auditor General, who shall also appoint and for cause, remove, upon the recommendation of the Auditor, the personnel of the Auditing Office. The Commission shall fix the salary of the Auditor and the number and rates of salaries of the personnel of the Auditing Office. The amount of other operating expenses of the Auditing Office shall also be fixed by the Commission. The Auditor shall submit, through the Commission, an annual report on the financial condition and the result of the operation of the Commission to the President, the Senate through its president, the House of Representatives through the Speaker, the Secretary of Finance, the National Economic Council and the Auditor General.

SEC. 8. *Report.*—The Commission shall submit an annual report to the President and to the Congress of the Philippines, after the first day of January of each year but not later than the first day of April, regarding its activities under this Act for the previous year.

## CHAPTER II.—*Classification of risks and method of insuring lending institutions*

SEC. 9. With a view to encourage the repair of existing residential buildings, and the rehabilitation requirements and recovery from damage caused by the elements, the

Home Financing Commission shall prescribe rules and regulations to govern the insurance authorized under this section in accordance with the provisions set forth hereunder:

- a. The Commission is authorized to insure banks, insurance companies, building and loan associations and other qualified lending institutions against losses which they may sustain as a result of eligible property improvement loans. The lending institutions shall be charged with the responsibility of exercising the proper credit judgment in making the loans.
- b. The lending institution shall be insured against losses up to ninety *per centum* of the aggregate net amount loaned over a given period.
- c. Two classes of loans may be issued under this Section at the discretion of the Commission even though they may be subject to existing mortgages:
  1. Loans covering the cost of repair, alteration or improvement begun after the date of the approval of this Act of an existing structure, such loans not to be in excess of six thousand pesos and to mature in not to exceed five years on a monthly amortization basis;
  2. Loans covering the cost of alteration, repair improvement or conversion begun after the date of the approval of this Act of an existing structure used or to be used as a dwelling for two or more families, such loans not to be in excess of twenty thousand pesos and to mature in not exceeding ten years on a monthly amortization basis.

SEC. 10. (a) The Commission is authorized, upon application by a qualified mortgagee, to insure in accordance with the provisions of this Act, any mortgage offered to it which is eligible for insurance as hereinafter provided, and, upon such terms as the Commission may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or any disbursement thereon.

(b) To be eligible for insurance under this section a mortgage shall—

1. Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Commission shall approve) in an amount—
  - A. not to exceed twenty five thousand five hundred pesos nor in any case ninety *per centum* of the appraised value (as of the date of the mortgage is accepted for insurance) of a property, whether urban, suburban, or rural, upon which there is located a dwelling designed principally for a single-family residence, the construction of which is begun after the date of approval of this Act and which is approved for mortgage insurance prior to the beginning of construction: *Provided*, That no mortgage shall be insured under this paragraph unless the mortgagor shall be the owner and occupant of the property at the time of insurance and shall have paid on account of the property, in cash or its equivalent, at least ten *per centum* of the appraised value thereof;
  - B. not to exceed nine thousand five hundred pesos nor in any case ninety-five *per centum* of the appraised value of a property, whether urban, suburban, or rural, upon which there is located a dwelling, designed principally for a single-family residence prior to the beginning of

construction: *Provided*, That no mortgage shall be insured under this paragraph unless the mortgagor shall be the owner and occupant of the property at the time of the insurance and shall have paid on account of the property, in cash or its equivalent, at least five *per centum* of the appraised value thereof.

2. Have a maturity satisfactory to the Commission, but not to exceed twenty-five years in the case of those under paragraph (1) (A) and (1) (B) hereof.

SEC. 11. (a) The Commission is authorized upon application by the mortgagee, to insure, in accordance with the provisions of this Act, any mortgage offered to it which is eligible for insurance as hereinafter provided and upon such terms as the Commission may prescribe (including advance on such mortgages during construction), if the mortgage covers property held by—

1. The National Government, provincial, city or municipal governments, or government-owned or controlled corporations and agencies.
2. Private corporations, developmental builders, associations, cooperative societies which are legal agents of owner-occupants, or trusts formed or created for the purpose of rehabilitating slum or blighted areas, or providing housing for rent or sale, and which possess powers necessary therefor and incidental thereto, and which until the termination of all obligations of the Commission under such insurance, are regulated or restricted by the Commission as to rents or sales, charges, capital structure, rate of return, and method of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Commission may such contracts with, and acquire for not to exceed one hundred pesos, such stock or interest in, any such corporation, association, cooperative society, or trust as it may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of the fund and shall be redeemed by the corporation, association, cooperative society, or trust at par upon the termination of all obligations of the Commission under the insurance.
3. An individual owner or joint-owners,

(b) Such mortgages may cover the installation of improvements involving—

1. A project by a developmental builder for the construction of not less than twenty dwellings at one time under a single-mortgage with a release clause permitting the subsequent sale of each individual completed house together with land. Loans for advances of funds used for purchase of material in anticipation of mass construction and standardization of parts may be insured in the discretion of the Commission.
2. A rental project of at least twenty units and not to exceed one thousand units and involve a principal obligation (including such initial service, charges, appraisal, inspection, and other fees as the Commission shall approve) in an amount not to exceed five million pesos.