

**[SHFC CORPORATE CIRCULAR HDH NO. 14-002,
March 31, 2014]**

**IMPLEMENTING RULES AND REGULATIONS (IRRS) FOR
BUILDING CONSTRUCTION AND SITE DEVELOPMENT LOANS FOR
HIGH DENSITY HOUSING (HDH) PROGRAM**

Adopted: 31 March 2014

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SECTION 1. Purpose - This Implementing Rules and Regulations, hereinafter called the IRR, is formulated for the implementation of Building Construction and Site Development Loans for the High Density Housing (HDH) Program pursuant to Sections 5 and 7 of the Social Housing Finance Corporation (SHFC) Corporate Circular No. 13-026, series of 2013 which was approved on July 11, 2013.

SECTION 2. Definition of Terms – For purposes of this IRR, the following terms or words shall mean or be understood as follows:

- a. Site Development – refers to improvement of the project site pertaining to establishment of roads, construction of drainage and sewerage system and installation of water and electrical system.
- b. Building Construction – refers to the process of building or assembling of infrastructure, primarily those used to provide shelter.
- c. Performance Security – refers to a security to guarantee the faithful performance of the developer/contractor of its obligations under the contract and to satisfactorily complete the project in accordance to the approved plans and specifications.
- d. Retention Fee – Refers to the percentage of payment held back from a developer/contractor which is equivalent to 10% of the contract price to cover defective works, if any.

SECTION 3. Eligibility - The community associations who are registered owner of land or have existing usufructuary arrangement with landowner or who have availed of the lot acquisition loan under HDH program shall be eligible for building construction and/or site development loans under this IRR, provided that they have complied with the requirements for the building construction and/or site development loans under the HDH Program.

SECTION 4. Loan Entitlement - The maximum loanable amount for each ISF shall be P450,000^[1] inclusive of land acquisition, building construction and site development loans. This may be further increased if Housing and Urban Development Coordinating Council (HUDCC) increases the loan ceiling for Low Rise Buildings for socialized housing.

SECTION 5. Loan Amount - The loan amount shall be: (a) sum of the loan entitlement of the community association member-beneficiaries; or (b) project cost; or (c) the appraised value of the property, whichever is lower.

SECTION 6. Interest Rate and Loan Term - The interest rate is 4.5% per annum for a maximum period of 30 years.

SECTION 7. Tenorial Arrangement - Prior to the site development/building construction, the community association shall inform SHFC of their choice of tenorial arrangement which may be by way of Usufruct, individual Condominium Certificate of Title (CCT) or other tenorial arrangement similar thereto.

SECTION 8. Assessment of the Contractor/Developer - SHFC shall review the capacities and credentials of the Contractor/Developer hired by the community association. The community association 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 community association based on financial stability, managerial capability, organizational structure, technical expertise, and delivery 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 Community association may hire two (2) or more contractors for projects with at least five hundred (500) housing units, subject to the same due diligence and assessment process. The contractor shall meet at least the minimum requirements corresponding to each PCAB license category vis-à-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 Builder's Associations Inc. (CREBA). Subdivision and Housing Developers Association Inc. (SHDA) or Organization of Socialized Housing Developers of the Philippines (OSHDP).

SECTION 9. Loan Release for Building Construction and Site Development – 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 community association shall request for the mobilization fund equivalent to fifteen percent (15%) of the site development or building construction loan.

The community association 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 four (4) tranches (exclusive 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

d) Certificate of Completion and Acceptance (for completed building)

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 the HDH Team.

SECTION 10. Security for the Loan under the HDH - The loan shall be secured by a real estate mortgage (REM) annotated at the back of the title/s of the community association.

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. SHFC shall not be held liable for any deviations made on said standards in the future.

SECTION 12. 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 surety bond callable in favor of and upon demand by SHFC, issued by a certified surety or insurance company in an amount equivalent to ten percent (10%) of the total contract price.

A surety bond shall be released within fifteen (15) days from the time of completion of the project, subject to the satisfactory validation reports submitted by the Construction Project Management (CPM) expert, the community association, and the HDH Team.

SECTION 13. Retention Fee - SHFC shall retain ten percent (10%) of the Contract Price as retention fee which shall answer for repairs of defective works, if any. The retention fee shall be released to the Contractor/Developer within six (6) months from the completion of the project and submission by the community association of a Board Resolution embodying the acceptance of any r all repair works done by the developer/contractor on the project.

SECTION 14. Amortization - The amortization payment of the member-beneficiaries of the community association shall commence two (2) months after the issuance of the Certificate of Completion and Acceptance of the building by the community association.

SECTION 15. Insurance -

a. Mortgage Redemption Insurance (MRI) - The insurance premium of the 1st year of coverage shall be paid in advance which is equivalent to the borrower's share in the loan. Premium for the succeeding year shall be paid in a monthly basis which shall be included in the monthly amortization of the member-beneficiary.

b. Fire and Allied Perils Insurance (FAPI) - The house and its improvements shall be covered by FAPI for an amount equivalent to the loan. The insurance premium for the 1st year of coverage shall be paid in advance which is equivalent to the borrower's share in the loan. Premium for the succeeding year shall be paid on a