

[HDMF CIRCULAR NO. 300, December 01, 2011]

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 restore 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 income 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 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 expenses 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 Divisions 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 Mortgages/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 the 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 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 full pay all the cost and expenses incurred by the Fund relative to the preparation of 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 180,000, 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