

**[ HDMF, October 15, 1996 ]**

**IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT  
NO. 7742 AMENDING PRESIDENTIAL DECREE NO. 1752,  
EXECUTIVE ORDER NOS. 35 AND 90**

Pursuant to the authority granted to the Board of Trustees of the Home Development Mutual Fund under Section 5 of Republic Act No. 7742 as well as under Section 13 of Presidential Decree No. 1752, as amended, the following rules and regulations are hereby promulgated and issued for the guidance of all concerned.

**RULE I**

**Preliminary Provisions**

SECTION 1. Title — These Rules shall be known as the Rules and Regulations Implementing Presidential Decree No. 1752, as amended by Executive Order No. 35 and Republic Act No. 7742.

SECTION 2. Construction — Any doubt in the interpretation of these Rules shall be resolved in favor of the employees.

**RULE II**

**Statement of Objectives**

SECTION 1. Statement of Fund's Objectives — In general, the objectives of the Fund are:

1. To promote home ownership through the establishment of an affordable and adequate housing credit system for its members;
2. To invest the provident savings of its members taking into consideration profitability and safety of the funds as a means of providing them provident benefits upon termination of their membership in the Fund;
3. To provide small and short-term loans and other benefits to its members; and
4. To promote self-reliance and self-determination among workers through membership in an integrated nationwide savings system.

**RULE III**

**Definitions of Terms**

SECTION 1. Definition of Terms — The following terms shall mean:

(a) Employer — any person, natural or juridical, domestic or foreign, who carries on in the Philippines any trade, business, industry, undertaking or activity of any kind, and uses the services of another person who is under his orders as regards such services, the government, its national and local offices, political subdivisions, branches, agencies, or instrumentalities including corporations owned and/or controlled by the Government; ADSIaT

(b) Employee — any person in the service of an employer who receives compensation for such service;

(c) SSS — the Social Security System created under Republic Act Numbered Eleven Hundred and Sixty-One, as amended;

(d) GSIS — the Government Service Insurance System created under Commonwealth Act Numbered One Hundred Eighty-Six, as amended;

(e) Fund — the Home Development Mutual Fund created by Presidential Decree No. 1752, as amended by Executive Order No. 35 and Republic Act No. 7742;

(f) Board — the duly constituted Board of Trustees of the Home Development Mutual fund;

(g) President of the Fund — the Chief Executive Officer who shall execute and administer the policies and resolution approved by the Board, and shall direct and supervise the operations and management of the Fund;

(h) Member — any person mandatorily covered by the provisions of Presidential Decree No. 1752, as amended by Executive Order No. 35 and Republic Act No. 7742 or if not mandatorily covered, voluntarily opted to be covered by the provisions thereof and is registered in the Fund;

(i) Active Member — a member who is updated in his monthly contributions;

(j) Member-Borrower — a member who has an outstanding account under any of the Fund's housing loan programs;

(k) Member-Saver — a member who has no outstanding account under any of the Fund's housing loan programs;

(l) Total Accumulated Value — the sum of the employee's contributions and the employer's required contributions and the corresponding dividends credited thereto;

(m) Monthly Compensation — shall mean the member's basic monthly salary plus Cost of Living Allowance (COLA);

(n) Monthly — the period from the end of the last payroll period of the preceding month to the end of the last payroll period of the current month if compensation is on hourly, daily or weekly basis; if on any other basis, "monthly" shall mean a period of one calendar month;

(o) Dividends — shall mean a corporate profit set aside, declared and ordered by the

Board of Trustees to be paid to the members proportionately according to their respective interests which shall be credited to their Total Accumulated Value, payable out of the net income of the preceding year;

(p) Net Income — shall mean the balance of realized or accrued earnings for a given period after deducting all costs and expenses, interests, taxes, losses and charges of every character, including depreciation and depletion for the period.

(q) Membership Term — a period of 20 years commencing from the first day of the month to which the member's initial contribution to the Fund applies;

(r) Permanent Total Disability — loss or impairment of a physical or mental function resulting from injury or sickness which completely incapacitates a member to perform any work or engage in any business or occupation as determined by the Fund;

(s) Net Fund Asset — the total assets of the Fund less current liabilities.

(t) Investible Funds — shall mean funds available after deducting costs of operations and expenses, administrative and general expenses, reserves for benefit claims, provisions for a sinking fund for the return of member's equity upon maturity, and provision for taxes.

(u) Superior Housing Plan — means an employer's housing plan for his employees existing as of the effectivity of Republic Act No. 7742 which is considered superior to the Pag-ibig Housing Loan Program in terms of:

- 1) eligibility requirement
- 2) interest rate
- 3) repayment period
- 4) loanable amount, and
- 5) percentage of covered employees benefitted by the housing plan

(v) Superior Retirement/Provident Plan — means an employer's retirement/provident plan for his employees existing as of the effectivity of Republic Act No. 7742 which is considered superior to the benefits offered by the Fund to its members in terms of:

- 1) vesting features
- 2) retirement age and/or years of service required
- 3) employer's contribution, and
- 4) amount of benefits extended

(w) Distressed Employer — an employer who suffered at least twenty-five (25%) percent capital impairment for the past taxable year as evidenced by his Audited Financial Statement;

(x) Waiver of Coverage — temporary exclusion from coverage under the Fund of an employer who is not yet registered with the Fund;

(y) Suspension of Coverage — temporary exclusion from coverage under the Fund of an employer who is already registered with the Fund.

## RULE IV

### Membership

SECTION 1. Coverage — Membership in the Fund shall be mandatory upon all employees covered by the Social Security System and the Government Service Insurance System, and their respective employers; Provided however, that coverage of the employees whose monthly compensation is less than four thousand pesos (P4,000.00) shall be voluntary; Provided further, that upon membership with the Fund, their employer shall contribute an amount in accordance with Section 1 of Rule VI hereof.

SECTION 2. Effectivity of Coverage — Subject to the provisions of the preceding section, for employees covered by the GSIS or SSS who are not yet members of the Fund prior to the effectivity of Republic Act No. 7742 as well as for those who suspended their membership under the provisions of Executive Order No. 90 and their respective employers, mandatory coverage shall take effect on the date of effectivity of Republic Act No. 7742: Provided, That implementation thereof shall start on January 1, 1995.

Thereafter, mandatory coverage of the employer shall take effect on the first day of his business operation, and that of the employee on the date of his employment.

SECTION 3. Portability of Membership — A member who transfers to another employer or who becomes self-employed carries with him his Total Accumulated Value.

SECTION 4. Termination of Membership — Membership shall be terminated anytime upon the occurrence of any of the following:

- a) Membership Term Maturity;
- b) Death;
- c) Retirement;
- d) Permanent Total Disability or Insanity;
- e) Departure from the Country permanently;
- f) Termination from the service by reason of health.

Occurrences other than the above shall not constitute termination of membership except as may otherwise be provided by the Board of Trustees.

SECTION 5. Retirement — Any member shall be compulsorily retired under the Fund upon reaching age sixty-five (65). He may, however, opt to retire earlier under the Fund upon the occurrence of any of the following:

1. His actual retirement from the SSS, GSIS or separate employer provident/retirement plan, provided, however, that under the latter case, the member has at least reached age forty-five (45);
2. Notwithstanding his continued employment or service upon reaching age sixty (60); provided, he is not a member-borrower.

SECTION 6. Permanent Total Disability — The following disabilities shall be deemed total and permanent:

1. Temporary total disability lasting continuously for more than one hundred twenty days;
2. Complete loss of sight of both eyes;
3. Loss of two limbs at or over the ankle or wrist;
4. Permanent complete paralysis of two limbs;
5. Brain injury resulting in incurable imbecility or insanity; and
6. Such other cases which are adjudged to be total and permanent disability by a duly licensed physician and approved by the Board of Trustees.

## RULE V

### Registration

SECTION 1. Registration of Members — It shall be the duty of every employer to register all his covered employees by submitting to the Fund all data and information the Fund may require in relation to their respective businesses and employees in such forms as the President of the Fund may prescribe for the purpose.

SECTION 2. Obligation of Employer to Voluntary Members — Any employee whose monthly compensation is less than four thousand (P4,000.00) pesos who opts to voluntarily join the Fund shall be registered by his employer within thirty (30) days from the date he signifies in writing his intention to join the Fund.

SECTION 3. Liability of Employer for Non-Compliance — Any employer found guilty of non-compliance of Sections 1 and 2 of this Rule shall be liable under Section 1 of Rule XIII. An employer found guilty of coercing and/or compelling any employee under his employ, whose monthly compensation is less than four thousand (P4,000.00) pesos not to join the Fund shall likewise be liable under Section 1 of Rule XIII.

## RULE VI