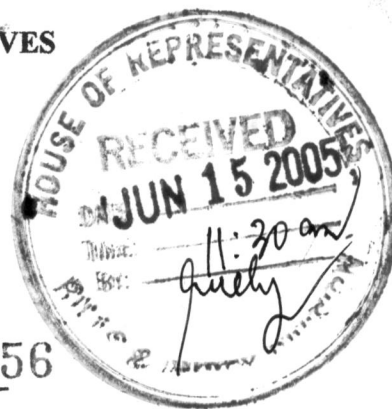


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

Thirteenth Congress
First Regular Session

HOUSE BILL NO. 4456



Introduced by Hon. Eduardo V. Roquero, M.D.

EXPLANATORY NOTE

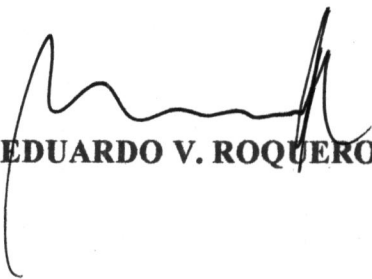
This bill seeks to establish a socialized low-cost housing loan restructuring and reclassification program.

Under Section 9, Article XIII of the Philippine Constitution, it is the policy of the State to undertake, in cooperation with the private sector, a continuing program of urban land reform and housing which will be made available at affordable and reasonable costs to under-privileged and homeless citizens in urban centers and resettlement areas.

Housing is the basic necessity of every family. In consonance with the above-stated policy Republic Act No. 8501 was enacted to enhance the effectiveness of the National Shelter Program of the government by condoning the penalties on all outstanding and delinquent housing loan accounts with any of the government institutions and agencies involved.

Under the proposed measure, qualified borrower-applicants of the program may opt to restructure and reclassify their current housing loan accounts notwithstanding the fact that the same account has availed of the benefits of a previous restructuring or condonation program. This measure in effect intends also, to relieve borrowers of the burden of paying bloated amortization, and of the constant fear of losing their house in case of default in amortization payments.

In view of the foregoing consideration, approval of the bill is highly recommended.


EDUARDO V. ROQUERO, M.D.

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HOUSE BILL NO. 4456

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AN ACT
ESTABLISHING A SOCIALIZED AND LOW-COST HOUSING LOAN
RESTRUCTURING AND RECLSSIFICATION PROGRAM, PROVIDING
MECHANISM THEREFOR AND FOR OTHER PURPOSES.

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

SECTION 1. Title. – This Act shall be known as the “Housing Loan Restructuring and Reclassification Act of 2005.”

SEC. 2. Condonation of Penalties, Restructuring and Reclassification of Delinquent Socialized and Low-cost Housing Loan Accounts. – In keeping with the Constitutional mandate for the State to undertake a continuing program of urban land reform and housing that will make available at affordable cost decent housing and basic services, there is hereby established a Housing Loan Restructuring and Reclassification Program. Under this program:

1. All socialized housing loans amounting to Two Hundred Twenty Five Thousand Pesos (P225,000.00) and below and all low-cost housing loans amounting to over Two Hundred Tenty Five Thousand Pesos (P225,000.00) but not exceeding Five Hundred Thousand Pesos (P500,000.00), with any of the government financing institutions (GFI's) and Government Owned and Controlled Corporations (GOCC's) involved in National Shelter Program (NSP) including but not limited to, the Government Service Insurance System (GSIS), Social Security System (SSS), Home Development Mutual Fund (HDMF) or PAG-IBIG, National Home Mortgage Finance Corporation (NHMFC), Home Guaranty Corporation (HGC), and the National Housing Authority (NHA) are hereby declared covered by the benefits of this restructuring and reclassification program notwithstanding that the same account has availed of the benefits of a previous restructuring or condonation

program and even if the annual total family income of the borrower-applicant exceeds Three Hundred thousand Pesos (P300,000.00);

- a) An applicant for restructuring shall be charged a processing fee of Five Hundred Pesos (P500.00) for original housing loan with an amount of Two Hundred Twenty Five Thousand Pesos (P225,000.00) and below. A processing fee of One Thousand Pesos (P1,000.00) shall be charged for original housing loan with an amount of more than Two Hundred Twenty Five Thousand Pesos (P225,000.00) and exceeding Five Hundred Thousand Pesos (P500,000.00). No down payment shall be required of a borrower to apply for the benefits of this program;
- b) All penalties and surcharges shall be condoned upon approval of the application for restructuring under this Act: Provided, that all accrued interest shall be added to the remaining balance of the principal, the aggregate of which shall be considered as the principal amount for the restructured accounts;
- c) A PAG-IBIG borrower-applicant may be allowed to use the total accumulated value of his or her membership contribution or savings to pay in full or in part his or her housing loan;
- d) The term of housing loan account being applied for restructuring or reclassification may be extended for a period longer than its original term in order to lower the amount of monthly amortization to a maximum of One Thousand Five Hundred Pesos (P1,500.00) for a period of three (3) years from the approval of the application, after which, the monthly amortization shall be based on the new principal amount provided for under Section 2, subsection 1 paragraph b: Provided, that the unserviced portion ensuing from the three-year lowered monthly amortization shall be paid either on an installment basis or on the last year of the term of the housing loan along with the last monthly amortization, whichever is affordable to the borrower: Provided, further, that the repayment period shall not exceed the working age of the borrower, as prescribed by the GFI concerned: Provided, finally, that in the event that the borrower fails to pay any amortization during the three-year period, he or she shall voluntarily surrender his or her property without need of judicial proceedings;
- e) Restructuring of accounts shall be compulsory for delinquent accounts which have an arrears of not more than three (3) years at the time of the approval of the application under this Act. All penalties shall be condoned one hundred percent (100%) but all the accrued interest shall be added to the remaining balance of the principal, the new principal amount is then restructured of reclassified in a new loan with an initial monthly amortization of One Thousand Five Hundred Pesos (P1,500.00) for the first five years, after which, a uniform monthly amortization shall be paid for the next succeeding years up to the end of the period;
- f) Reclassification of accounts shall be compulsory for those delinquent accounts with more than three (3) years in default in payment as a result of the

economic crisis and those who have benefited from Executive Order 281 granting moratorium on foreclosure. The delinquent principal-borrower shall be allowed to voluntarily terminate his or her loan in favor of his or her next of kin or assigns, who then applies and qualifies as a new-borrower of principal of the foreclosed subject property without need of ejectment or judicial proceedings. The new-borrower or principal pays an amount of rental for a period of five (5) years with a maximum amount of One Thousand Five Hundred Pesos (P1,500.00) per month, paying the total amount of Four Thousand Five Hundred Pesos (P4,500.00) maximum representing one month deposit and two months advance in rental after approval of the Contract of Rent-to-Own with obligation to apply into a regular housing loan within the period, otherwise contract is terminated at the end of five (5) years and the renter-applicant is deemed ejected from the property without need of judicial proceedings. The amount of the reclassified loan shall be based on the present appraised value of the property at the time of the application for a regular loan and not at the time of termination, reclassification or signing of contract of Rent-to-Own. The loan shall not be based on the balance of the old account which was terminated;

- g) In case of permanent physical incapacity of the borrower, the legal heirs and successors-in-interest may assume payment of the outstanding housing loan: Provided, that the successor-in-interest shall be limited to legal heirs and relatives by consanguinity of affinity within the fourth civil degree; and
- h) Loan restructuring under this Act may be availed of only once. All corresponding penalties and surcharges which the NHMFC may have to pay its funders as a result of the implementation of this Act shall be automatically adjusted and condoned.

SEC. 3. *Exclusion from coverage.* – In no instance shall the following housing loan accounts be covered by this Act:

1. Accounts where the housing unit is unoccupied at the time of the effectivity of this Act;
2. Accounts where the housing unit has been abandoned by the borrower-owner for more than two (2) years;
3. Accounts where the housing unit has remained unoccupied for a period of two (2) years;
4. Accounts where the housing unit is occupied by a third party other than the original registered beneficiary;
5. Accounts where the property has been foreclosed, the title of which has already been consolidated or transferred in the name of any government financial institution.

SEC. 4. *Remedies Against Delinquent Accounts.* – The GFI's shall continue to exercise their right to foreclose properties covered by accounts excluded in sub-

paragraph 1 to 5 of Section 3 hereof or of delinquent accounts of borrowers who shall fail to avail of the benefits of this Act and that such foreclosure proceedings shall be exempt from publication and from payment of filing fees, capital gains tax and documentary stamp tax: Provided, that in lieu of publication, posting of the date and place of auction shall be made in at least three (3) conspicuous public places; similar to that provided for under Act No. 3135 otherwise known as "An Act to Regulate the Sale of Property Under Special Powers Inserted In or annexed to Real-Estate Mortgages: Provided, further, that notice to the borrower at his last known address shall likewise be made.

SEC. 5. Declaration of Dividends. – the declaration of dividends of the funds managed by the GSIS, SSS and HDMF shall be limited to their members who have not availed of the restructuring program under this Act.

SEC. 6. Incentives for prompt payment of monthly amortization. – Upon the effectivity of this Act, all accounts whose monthly amortizations are paid on time shall be entitled to a reasonable discount on loan interest.

SEC. 7. Implementing Rules and Regulations. – There is hereby created an inter-agency committee headed by the Housing and Urban Development Coordinating Council and composed of all the government institution and agencies enumerated in Section 2 hereof tasked to promulgate the Implementing rules and Regulations (IRR) within sixty (60) days from the effectivity of this Act.

SEC. 8. Congressional Oversight Committee. – There is hereby created a Congressional Oversight Committee composed of the Chairman of the House Committee on Housing and Urban Development and the Chairman of the Senate Committee on Urban Planning, Housing and Resettlement, six (6) members of the House of Representatives and five (5) members of the Senate. The members of the House of Representatives shall be appointed by the Speaker from among the members of the House Committee on Housing and Urban Development based on the proportional representation of the parties or coalition therein. The members of the Senate shall be appointed by the Senate President from among the members of the Senate Committee on Urban Planning, Housing and Resettlement based on the proportional representation of the parties or coalitions therein.

The Oversight Committee shall review and approve the Implementing rules and Regulations (IRR). It shall also review the performance of GFI's and GOCC's involved in the implementation of this Act.

SEC. 9. Repealing clause. – All laws, Executive Orders, rules and regulations, or any part thereof, inconsistent of any provision of this Act are hereby repealed or modified accordingly.

SEC. 10. Effectivity Clause. – this Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,