

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Thirteenth Congress

Second Regular Session

House Bill No. 4951



Introduced by Representatives Eduardo C. Zialcita,
Rodante D. Marcoleta, Jose G. Solis, and Robert "Dodot" B. Jaworski, Jr.

EXPLANATORY NOTE

This bill seeks to ensure compliance with the purpose of the National Home Mortgage Finance Corporation (NHMFC) to develop a secondary market for home mortgages as mandated in Presidential Decree No. 1267 by way of strengthening the NHMFC and by making it more effective and efficient.

In particular, this bill seeks to increase the capitalization of NHMFC and to convert a portion of its loan with the Social Security System (SSS) and the Home Development Mutual Fund (HDMF) representing the accrued interests into preferred shares. The bill likewise allows the NHMFC to accept subscription of common shares by other government financial institutions (GFIs) or other private or multilateral institutions that may be interested to invest.

The bill gives the NHMFC authority to establish a subsidiary subject to the approval of Congress.

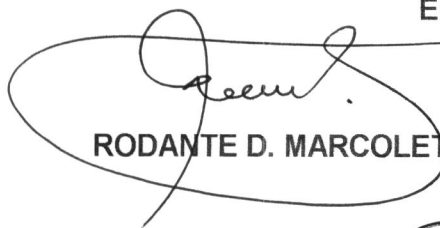
Cognizant of the hardships experienced by defaulting homebuyers in updating their accounts due to the economic difficulties during the past years, the NHMFC is also given the power to condone unpaid interests as well as penalties and surcharges imposed on delinquent accounts of its borrowers.

To ensure a more functional board, the bill seeks to re-organize the NHMFC's Board of Directors.

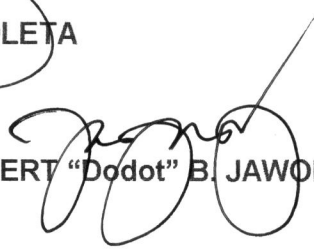
More importantly, the bill seeks to increase the appropriation for the Community Mortgage Program (CMP) in order to serve more beneficiaries under the program.

The approval of the bill is most earnestly sought.


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**AN ACT
TO STRENGTHEN THE NATIONAL HOME MORTGAGE FINANCE CORPORATION (NHMFC)
FOR MASS HOUSING ENDEAVORS, AMENDING FOR THE PURPOSE PRESIDENTIAL
DECREE NO. 1267, AND FOR OTHER PURPOSES**

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

Sec. 1. Section 1 of P.D. 1267 is hereby amended to be read as follows:

Sec. 1. *Corporate Body.* – There is hereby created a body corporate to be known as the National Home ~~[Mortgage]~~ Finance Corporation, hereinafter referred to as the "Corporation".

Sec. 2. Section 3, as amended under R.A. 7835, is hereby further amended to be read as follows:

Sec. 3. *Capitalization.* – The Corporation shall have an authorized capital stock of [~~Five billion five hundred million pesos (P5,500,000,000.00)]~~ **Twenty Billion Pesos (P20,000,000,000.00)** divided into [~~Five million five hundred thousand pesos (P5,500,000.00)]~~ **ten million (P10,000,000.00)** shares of non-cumulative and non-participating preferred stocks with a par value of One Thousand (One P1,000.00) per share which shall be redeemable at their paid-in value and shall possess the right of preference in receiving dividends, liquidating dividends, and redemption amounts, all in the manner and under such terms and conditions as may be determined by the Board of Directors and **Ten Million (P10,000,000.00)** common stocks with par value of One thousand pesos (P1,000.00) per share, at **least fifty-one (51%) percent of which to be [fully]** subscribed and paid by the Government of the Republic of the Philippines.

A portion of the corporation's loan with the GSIS, SSS and HDMF representing the accrued interests to the extent of Ten Billion Pesos (P10,000,000,000) is hereby converted into preferred shares. Common shares subscription may likewise be accepted from

government financial institutions and other multilateral agencies if it would serve the public interest or enhance attainment of the corporate mandate.

Sec. 3. Section 4 is hereby amended to be read as follows:

Sec. 4. *Purposes of the Corporation.* – The primary purpose of the Corporation shall be to develop and provide for a secondary market for home mortgages **and/or other financial instruments and conveyances** granted/**originated** by public and/or private home financing institutions.

Sec. 4. Section 5 is hereby amended to be read and renumbered as follows:

Sec. 5. *Powers and Functions.* – The Corporation shall have the following powers and functions:

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(d) **To establish and maintain a subsidiary or subsidiaries in relation to any of the purposes of the corporation subject to the approval by Congress;**

~~[(d)]~~ (e) To invest the funds or monies of the Corporation not invested in mortgage loans in securities issued by the National Government, ~~[Central Bank of the Philippines]~~ **Bangko Sentral ng Pilipinas** and other government owned and controlled corporations, ~~[the servicing and repayment of which are guaranteed by the Republic of the Philippines];~~

(f) **To condone, in whole or in part, unpaid interest and penalties imposed on loans of home borrowers, community associations and social housing developers, who for justifiable reasons as determined by the board, failed to pay on time any obligation due to the corporation: *Provided*, that a beneficiary may apply for the aforesaid condonation only once for the entire term of the loan;**

~~[e]~~ (g) To enter into and perform such contracts such as **joint venture, collection outsourcing**, with any person or entity, public or private, as may be necessary, proper or conducive to the attainment or furtherance of the objectives and purposes of the Corporation.

(h) **To design and adopt an early separation and incentive plan and/or financial assistance for the purpose of early separation of its own personnel. All those who shall be separated as a result of reorganization/restructuring shall be entitled to such incentives which shall be in addition to all gratuities and benefits to which they may be entitled under existing laws.**

Paragraph (f) and (g) of PD 1267 shall be renumbered as (i) and (j), respectively.

Sec. 5. Section 6 is hereby deleted *in toto* and the succeeding Sections are hereby renumbered accordingly.

Sec. 6. Section 9 is hereby amended to be read as follows:

Sec. 9. *Board of Directors.* – The powers and functions of the Corporation shall be exercised by a Board of Directors, hereinafter referred to as the “Board”, which shall be composed of the following:

(a) The ~~[Secretary of Finance]~~ **Chairman of the Housing and Urban Development Coordinating Council (HUDCC)** who shall be the Chairman of the Board.

Whenever the ~~[Secretary of Finance]~~ **Chairman of HUDCC** is unable to attend the meeting of the Board, he shall designate a **permanent representative with a rank not lower than Undersecretary to act** ~~[an Undersecretary]~~ as his alternate, but who shall not act as Chairman.

(b) The President of the Corporation, who shall be the Vice-Chairman **and presiding chairman in the absence of the chairman.**

(c) **The Secretary of the Department of Finance (DOF).** Whenever the Secretary of the DOF is unable to attend, he shall designate a permanent representative with a rank not lower than Undersecretary to act as an alternate.

~~[(d) The Chairman, National Housing Authority. Whenever the Chairman of the National Housing Authority is unable to attend the meeting of the Board, he shall designate the General Manager to act as his alternate.]~~

~~[(e)]~~ (d) The ~~[Commissioner of the Budget]~~ **Secretary of Budget and Management (DBM).** Whenever the ~~[Commissioner of the Budget]~~ **Secretary of the DBM** is unable to attend the meeting of the Board, he shall designate a ~~[Deputy Commissioner]~~ **permanent representative with a rank not lower than Assistant Secretary** to act as his alternate.

~~[(e)]~~ (e) The Governor of the ~~[Central Bank of the Philippines]~~ **Bangko Sentral ng Pilipinas (BSP).** Whenever the Governor of the ~~[Central Bank of the Philippines]~~ BSP is unable to attend the meeting of the Board, he shall designate a **permanent representative with a rank not lower than an Deputy Governor** to act as his alternate.

(f) **The General Manager of the Social Security System (SSS).** Whenever the General Manager of the SSS is unable to attend the meeting of the Board, he shall designate a permanent representative with a rank not lower than Senior Vice President to act as an alternate.

(g) **The General Manager of the Government Service Insurance System (GSIS).** Whenever the General Manager of the GSIS is unable to attend the meeting of the Board, he shall designate a permanent representative with a rank not lower than Senior Vice President to act as an alternate.

(h) **The Chief Executive Officer of the Home Development Mutual Fund (HDMF).** Whenever the Chief Executive Officer of the HDMF is unable to attend the meeting of the board, he shall designate a permanent representative with a rank not lower than Senior Vice President to act as an alternate.

(i) **One representative from private banking sector to be appointed by the President of the Philippines.**

(j) **One representative from housing developers to be appointed by the President of the Philippines.**

(k) **One representative from non-government organizations to be appointed by the President of the Philippines.**

Sec. 7. Section 10 (d) is hereby amended to be read as follows:

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(d) On the recommendation of the President of the Corporation, to **create offices or positions necessary for the efficient management, operation and administration of the corporation and to** appoint and fix the remunerations and other emoluments of subordinate officers and personnel of the Corporation, and to remove or otherwise discipline such officers or employees for cause, as provided by law: *Provided, that all positions in the corporation shall be governed by Republic Act No. 6757, otherwise known as the Salary Standardization Law; and to establish and maintain a provident fund and determine the corporation's and the employees' contribution to the fund* [~~positions which are policy determining, primarily confidential, or considered by the President of the Philippines shall not be subject to the Civil Service Law and Rules~~].

Sec. 8. Section 11 is hereby amended to be read as follows:

Sec. 11. *Meetings.* – The Board shall meet at least once [~~every two (2) weeks~~] **a month.** Special meetings may be convoked by the Chairman, to consider such subjects or matters as may be necessary under the circumstances.

Sec. 9. Section 12 is hereby amended to be read as follows:

Sec. 12. *Remunerations for Attendance of Meetings.* – The members of the Board or their respective alternates, except the President of the Corporation, shall be entitled per diems for every meeting actually attended in such amount as the Board may deem [~~but not exceeding P500.00 per meeting nor P2,000.00 in any one month~~] **and in accordance with allowable limits provided under applicable laws, rules and regulations.**

Sec. 10. Section 18 is hereby deleted and amended to be read as follows:

Sec. 18. ***Appropriation for CMP*** – pursuant to Section 31, Article VII of R.A. No. 7279 otherwise known as the Urban Development and Housing Act of 1992, and as provided for under section 4 (c) of R.A. No. 7835, otherwise known as the Comprehensive and Integrated Shelter Finance Act (CISFA). There shall be an automatic appropriation of no less than One Billion Pesos (p1,000,000,000.00) per annum for the Community Mortgage Program (CMP) for a period of eight (8) years under the administration of the corporation.

Sec. 11. Section 19 is hereby deleted and succeeding Sections renumbered accordingly.

Sec. 12. *Separability.* – If any provision of this Act is held invalid, the remaining provisions not affected shall continue to be in full force and effect.

Sec. 13. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation. The publication shall not be later than seven (7) days after approval hereof.

Approved,