

HOUSE OF REPRESENTATIVES

House Bill No. **915**

Introduced by Representative Susan A. Yap

EXPLANATORY NOTE

It is the policy of the State to undertake, in cooperation with the private sector, a comprehensive and continuing urban development. Subdivision and condominium projects continued to thrive over the last decade brought about by lower interest rates and increased remittances from OFWs. This prompted many of our kababayans to buy houses and condominium units, which correspondingly increased queries and complaints against property developers.

Lack of clarity of laws is one of the problems seen in the real estate market. Towards this end, certain remedial measures ought to be introduced to the operational provisions of the Subdivision and Condominium Buyers' Protective Decree (PD 957) in order to strengthen and make the same responsive and attuned to the needs of the present times.

During the year 2007, HLURB issued 1,870 Licenses to Sell (LS) for residential and non-residential projects or 89% of the target of 2,100. About 62% or 1,112 of the residential projects issued LS were simple subdivisions, 262 or 15% open market, 12% or 213 economic, 7% or 77 socialized, and 4% or 77 condominium projects.

The 1,796 licensed residential projects covered 172,967 lots or house and lots. Of these, open market housing had the biggest share of 58,237 at 34%, followed by economic and socialized housing with 45,292 and 45,101 units at 26% respectively, condominium with 20,631 units at 12% and simple subdivision with 3,706 units at 2% (2007 HLURB Accomplishment report).

This proposed bill clarifies the role of the developer for the registration of deeds of sale and contract to sell to those buyers who have already paid the full purchase price and those buyers who are paying in installment. Another provision which seeks to put into law a common practice, is as regards the partial release of the title in case of buyers under mortgage, to wit: "the deed of sale or contract to sell covering a lot or unit subject of a mortgage shall include a partial release clause or a provision guaranteeing the release of the title to said lot or unit upon full payment by its buyer (Section 18)."

Because of the advent of condominium projects, this bill updates PD 957 on the inclusion of condominiums in the cover of prohibition of alteration of plans (Section 22) without the approval of the majority of homeowners association, or in the absence thereof, of majority of condominium unit buyers who have already paid at least 50% of the purchase price.

This bill also directs developers to compulsory donation of roads, alleys, and open spaces reserved for schools, hospitals, barangay centers, and the like to the local government unit in jurisdiction.


SUSAN A. YAP

Representative, 2nd District of Tarlac

HOUSE OF REPRESENTATIVES

House Bill No. 915

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AN ACT

TO INSTITUTE REFORMS IN THE SUBDIVISION AND CONDOMINIUM BUYERS' PROTECTIVE DECREE

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

1 SECTION 1. *Short Title.* - This Act shall be known as "The Subdivision and Condominium
2 Buyers' Protective Decree Amendments of 2010".
3

4 SEC. 2. *Declaration of Policy.* - It is the policy of the State to undertake, in cooperation with the
5 private sector, a comprehensive and continuing urban development. Towards this end, certain
6 remedial reforms ought to be introduced to the operational provisions of the Subdivision and
7 Condominium Buyers' Protective Decree in order to strengthen and make the same responsive and
8 attuned to the needs of the present times.
9

10 SEC. 3. *Remedial Provisions.* - For purposes of this Act and in order to strengthen Presidential
11 Decree No. 957, entitled: "Regulating the Sale of Subdivision Lots and Condominiums, Providing
12 Penalties for Violations Thereof", otherwise known as The Subdivision and Condominium Buyer's
13 Protective Decree, the following provisions are hereby amended:
14

15 (a) Paragraph 1, Section 5 of Presidential Decree No. 957 is hereby amended to read as
16 follows:
17

18 "SEC. 5. License to Sell. - A CERTIFICATE OF REGISTRATION
19 DOES NOT AUTHORIZE [S]such Owner or dealer [to whom has been issued a
20 registration certificate shall not, however, be authorized] to sell any subdivision lot
21 or condominium unit in the registered project [unless] UNTIL he shall have first
22 obtained a license to sell the project within two weeks from the registration of such
23 project."
24

25 (b) Paragraph 1, Section 17 of Presidential Decree No. 957 is hereby amended to read as
26 follows:
27

28 "SEC. 17. Registration. - All [contracts to sell,] deeds of sale [and other
29 similar instruments relative to the sale or conveyance] of [the] subdivision lots and
30 condominium units, [whether or not the] WHOSE purchase price is ALREADY
31 paid in full[,] shall be registered by the seller in the Office of the Register of Deeds
32 of the province or city where the property is situated. IN CASES OF
33 INSTALLMENT PAYMENTS, THE CONTRACT TO SELL SHALL
34 ALSO BE REGISTERED BY THE DEVELOPER WITH THE PROPER
REGISTER OF DEEDS AT THE EXPENSE OF THE BUYER:
PROVIDED, FURTHER, THAT IN CASE OF CANCELLATION OR

1 RESCISSION OF SAID CONTRACT TO SELL, SUCH REGISTRATION
2 OF CONTRACT TO SELL SHALL BE CANCELLED BY THE PROPER
3 REGISTER OF DEEDS, WITHOUT NEED OF ANY COURT ORDER,
4 UPON EXECUTION BY THE SELLER OF AN AFFIDAVIT THAT SAID
5 CONTRACT TO SELL HAS BEEN CANCELLED OR RESCINDED
6 DUE TO DEFAULT ON THE PART OF THE BUYER, WITHOUT
7 PREJUDICE TO THE RIGHTS OF THE BUYER UNDER REPUBLIC
8 ACT NO. 6552, OTHERWISE KNOWN AS THE "MACEDA LAW":
9 *PROVIDED*, FINALLY, THAT THE AUTHORITY SHALL HAVE
10 JURISDICTION OVER DISPUTES BETWEEN THE BUYER AND THE
11 SELLER REGARDING THE CANCELLATION OF THE
12 REGISTRATION OF A CONTRACT TO SELL."
13

14 (c) Section 18 of Presidential Decree No. 957 is hereby amended to read as follows:

15 "SEC. 18. Mortgages. - No mortgage on any unit or lot shall be made by
16 the owner or developer without prior written approval of the Authority. Such
17 approval shall not be granted unless it is shown that the proceeds of the mortgage
18 loan shall be used for the development of the condominium or subdivision project
19 and effective measures have been provided to ensure such utilization. The loan
20 value of each lot or unit covered by the mortgage shall be determined and the buyer
21 thereof, if any, shall be notified before the release of the loan. **THE DEED OF**
22 **SALE OR CONTRACT TO SELL COVERING A LOT OR UNIT**
23 **SUBJECT OF A MORTGAGE SHALL INCLUDE A PARTIAL RELEASE**
24 **CLAUSE OR A PROVISION GUARANTEEING THE RELEASE OF**
25 **THE TITLE TO SAID LOT OR UNIT UPON FULL PAYMENT BY ITS**
26 **BUYER.** The buyer may, at his option, pay his installment for the lot or unit
27 directly to the mortgagee who shall apply the payments to the corresponding
28 mortgage indebtedness secured by the particular lot or unit being paid for, with a
29 view to enabling said buyer to obtain title over the lot or unit promptly after full
30 payment thereof."
31

32 (d) Section 20 of Presidential Decree No. 957 is hereby amended to read as follows:

33 "SEC. 20. Time of Completion. - Every owner or developer shall
34 construct and provide the facilities, improvements, infrastructures and other forms
35 of development, including water supply, [and] lighting facilities, **AND**
36 **DEVELOPMENT OF ROADS, AS PROVIDED FOR** [which are offered and
37 indicated] in the approved subdivision or condominium plans, brochures,
38 prospectus, printed manners, letters or in any form of advertisement, within [one
39 year] **EIGHTEEN (18) MONTHS** from the date of the issuance of the license
40 for the subdivision or condominium project or such other period of time as may be
41 fixed by the Authority[.]; *PROVIDED*, THAT IN CASES OF FORTUITOUS
42 EVENTS, THE AUTHORITY SHALL THEREAFTER DETERMINE
43 THE REASONABLE TIME WITHIN WHICH THE PROJECTS SHALL
44 BE COMPLETED. "IN THE EVE" THAT THE OWNER OR
45 DEVELOPER FAILS TO COMPLETE THE DEVELOPMENT OF THE
46 PROJECT AFTER THE PERIOD OF EIGHTEEN (18) MONTHS
47 MANDATED ABOVE FOR ITS COMPLETION FROM THE DATE OF
48 THE ISSUANCE OF THE LICENSE FOR THE SUBDIVISION OR
49 CONDOMINIUM PROJECT, AND UNLESS THE AUTHORITY SETS
50 ANOTHER TIME FOR COMPLETION OWING TO THE
51 CIRCUMSTANCES STATED ABOVE, THE AUTHORITY SHALL
52 DECLARE THE PROJECT ABANDONED AND THE ROADS IN THE
53 ABANDONED PROJECT SHALL BECOME PUBLIC IN CHARACTER
54 ONE YEAR FROM THE DECLARATION OF ABANDONMENT OF
55 THE PROJECT.

(c) Section 22 of Presidential Decree No. 957 is hereby amended to read as follows:

"SEC. 22. Alteration of Plans. No owner or developer shall change or alter the roads, open spaces, infrastructures, facilities for public use and/or other form of subdivision **OR CONDOMINIUM** development as contained in the approved subdivision **OR CONDOMINIUM** plan and/or represented in its advertisements, without the permission of the Authority and the written conformity or consent of/the duly organized homeowners association **OR CONDOMINIUM CORPORATION**, or in the absence of the latter, by the majority of the [lot] buyers [in the] **OF** subdivision **LOTS OR CONDOMINIUM UNITS WHO HAVE ALREADY PAID AT LEAST FIFTY PERCENT (50%) OF THE PURCHASE PRICE.**"

(f) Section 25 of Presidential Decree No. 957 is hereby amended to read as follows:

"SEC. 25. Issuance of Title. - The owner or developer shall deliver the title of the lot or unit to the buyer upon full payment of the lot or unit[:]. **PROVIDED, THAT WHERE THE OWNER OR DEVELOPER PROPERLY PROCESSED AND SUBMITTED THE DOCUMENTS TO THE GOVERNMENT AGENCIES CONCERNED FOR ISSUANCE OF TITLE AND THE DELAY IN THE ISSUANCE OF TITLE IS NOT 'THE FAULT OF SUCH OWNER OR DEVELOPER OR WHERE THE NON-ISSUANCE IS PURSUANT TO A COURT ORDER, THE OWNER AND/OR DEVELOPER SHALL NOT BE HELD LIABLE FOR SUCH DELAY OR NON-ISSUANCE OF TITLE.** "No fees, except those required for the registration of the deed of sale in the Registry of Deeds, shall be collected for the issuance of such title. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof [within six months] **IMMEDIATELY** from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer in accordance herewith. **IN SUCH A CASE, THE MORTGAGEE SHALL NOT UNREASONABLY REFUSE RELEASE OF THE TITLE BASED ON THE LOAN VALUE THEREOF.**"

(g) Section 27 of Presidential Decree No. 957 is hereby amended to read as follows:

"SEC. 27. Other Charges. -No owner or developer shall levy upon any lot or unit buyer a fee for an alleged community benefit. Fees to finance services for common comfort, security and sanitation may be collected only by a properly organized homeowners association **OR CONDOMINIUM CORPORATION** and only with the consent of a majority of the lot or unit buyers actually residing in the subdivision or condominium project."

(h) Section 31 of Presidential Decree No. 957, as amended by Presidential Decree No. 1216, insofar as donation of roads and open spaces to local government are concerned, is hereby amended to read as follows:

"SEC. 31. Donation of Roads and Open Spaces to Local Government.
- The registered owner or developer of the subdivision or condominium project, upon completion of the development of said project [may, at his option, convey by way of donation] **PURSUANT TO SECTION 20 HEREOF, SHALL DONATE** the roads, **ALLEYS AND SIDEWALKS,** and open spaces **RESERVED FOR SCHOOLS, PLACES OF WORSHIP, HOSPITALS, HEALTH CENTERS, AND BARANGAY CENTERS AS CONTEMPLATED IN PRESIDENTIAL DECREE NO. 1216 WHICH ARE** found within the project to the city or municipality wherein the project is located **AND IT SHALL BE MANDATORY FOR THE LOCAL**

1 GOVERNMENTS TO ACCEPT: *PROVIDED, HOWEVER, THAT OPEN*
2 *SPACES AND AREAS RESERVED EXCLUSIVELY FOR PARKS,*
3 *PLAYGROUNDS, RECREATIONAL USES, CLUBHOUSES, AND*
4 *OTHER SIMILAR FACILITIES AND AMENITIES SHALL BE*
5 *DONATED TO THE HOMEOWNERS ASSOCIATION OR TO THE*
6 *CONDOMINIUM CORPORATION WITH THE CONSENT OF THE*
7 *CITY OR MUNICIPALITY CONCERNED. Upon acceptance of the donation*
8 *by the city or municipality OR THE HOMEOWNERS ASSOCIATION OR*
9 *CONDOMINIUM concerned, no portion of the area donated shall thereafter be*
10 *converted to any other purpose or purposes [unless after hearing, the proposed*
11 *conversion is approved by the Authority.]: PROVIDED, FURTHER, THAT*
12 *ROADS IN SUBDIVISIONS WHICH HAVE BECOME PUBLIC IN*
13 *CHARACTER ONE YEAR AFTER THE DECLARATION OF*
14 *ABANDONMENT BY THE AUTHORITY OF THE SUBDIVISION OR*
15 *CONDOMINIUM PROJECT WHERE THEY ARE LOCATED SHALL*
16 *IPSO FACTO BECOME PROPERTY OF THE LOCAL GOVERNMENT*
17 *UNIT THAT HAS JURISDICTION OVER SAID ROADS."*
18

19 (i) Section 38 of Presidential Decree No. 957 is hereby mended to read as follows:
20

21 "SEC. 38. Administrative Fines. - The Authority may prescribe and
22 impose fines not exceeding [ten] FIFTY thousand pesos (P50,000.00) for
23 violations of the provisions of this Decree or of any rule or regulation thereunder.
24 Fines shall be payable to the Authority and enforceable through writs of execution
25 in accordance with the provisions of the Rules of Court."
26

27 (j) Section 39 of Presidential Decree No. 957 is hereby amended to read as follows:
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29 "SEC.39. Penalties. - Any person who shall violate any of the provisions of
30 this Decree and/or any rule or regulation that may be issued pursuant to this
31 Decree, INCLUDING, BUT NOT LIMITED TO, THE FAILURE TO
32 COMPLETE THE DEVELOPMENT OF THE PROJECT WITHIN THE
33 PRESCRIBED PERIOD PURSUANT TO SECTION 20 HEREOF,
34 FAILURE TO DELIVER THE TITLE PURSUANT TO SECTION 25
35 HEREOF, FAILURE TO REFUND THE VIOLATION OF SECTION 23
36 HEREOF, FAILURE TO FOLLOW PURCHASE PRICE OR THE
37 INSTALLMENT PAYMENT MADE IN CONSTRUCTION
38 SPECIFICATIONS OR POOR WORKMANSHIP RESULTING TO
39 SUBSTANDARD UNITS OR TO CONSTRUCTION DEFECTS, shall,
40 upon conviction, be punished by a fine of not more than twenty thousand
41 (P20,000.00) pesos and/or imprisonment of not more than ten (10) years. Provided,
42 that in] SUFFER:
43

44 (A) ON THE FIRST OFFENSE, A FINE OF NOT MORE THAN
45 FIVE HUNDRED THOUSAND PESOS (P500,000.00) OR FIFTY
46 PERCENT (50%) OF THE TOTAL PURCHASE PRICE OF THE
47 PROPERTY AS STATED IN THE CONTRACT TO SELL OR DEED OF
48 SALE, INCLUDING ALL THE CHARGES IMPOSED BY THE
49 DEVELOPER WHICHEVER IS HIGHER AND/OR IMPRISONMENT
50 OF NOT MORE THAN FOUR (4) YEARS, AT THE DISCRETION OF
51 THE COURT.

52 (B) ON THE SECOND OFFENSE, A FINE OF SEVEN
53 HUNDRED FIFTY THOUSAND PESOS (P750,000.00) OR SEVENTY-
54 FIVE PERCENT (75%) OF THE TOTAL PURCHASE PRICE OF THE
55 PROPERTY AS STATED IN THE CONTRACT TO SELL OR DEED OF
56 SALE, INCLUDING ALL THE CHARGES IMPOSED BY THE
57 DEVELOPER WHICHEVER IS HIGHER AND/OR IMPRISONMENT

1 OF NOT MORE THAN SEVEN (7) YEARS, AT THE DISCRETION OF
2 THE COURT

3 “(C) ON THE THIRD OFFENSE, IN ADDITION TO A FINE OF
4 NOT MORE THAN ONE MILLION PESOS (P1,000,000.00) OR ONE
5 HUNDRED PERCENT (100%) OF THE TOTAL PURCHASE PRICE OF
6 THE PROPERTY AS STATED IN THE CONTRACT TO SELL OR
7 DEED OF SALE, INCLUDING ALL THE CHARGES IMPOSED BY
8 THE DEVELOPER WHICHEVER IS HIGHER AND/OR
9 IMPRISONMENT OF NOT MORE THAN TEN (10) YEARS, AT THE
10 DISCRETION OF THE COURT, THE BUSINESS PERMITS AND
11 LICENSES, IN THE CASE OF A BUSINESS ENTITY OR
12 ESTABLISHMENT, SHALL BE REVOKED OR CANCELLED.

13 “IF BY REASON OF ADVERTISEMENTS IN VIOLATION OF
14 THIS DECREE, A REAL ESTATE OR A CONDOMINIUM UNIT IS
15 SOLD, AN ADDITIONAL FINE OF NOT LESS THAN FIVE
16 HUNDRED THOUSAND PESOS (P500,000.00) SHALL BE IMPOSED
17 FOR EVERY UNIT SOLD.

18 “IN [the] case of corporations, partnerships, cooperatives, or associations,
19 the President, Manager or Administrator or the person who has charge of the
20 administration of the business shall be criminally responsible for any violation of
21 this Decree and/or the rules and regulations promulgated *pursuant* thereto.”

22
23 SEC. 4. *Repealing Clause.* - All laws, decrees, executive orders, proclamations, rules and
24 regulations, and other issuances, or part or parts thereof, which are inconsistent with the provisions
25 of this Act are hereby repealed or modified accordingly.

26
27 SEC. 5. *Separability Clause.* - If, for any reason, any provision of this Act is declared invalid or
28 unconstitutional, the remaining provisions not affected thereby shall continue to be in force and
29 effect.

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31 SEC. 6. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after the completion of
32 its publication in the *Official Gazette* or in at least *two* (2) newspapers of general circulation.

33
34 Approved,