

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS

Second Regular Session

HOUSE BILL NO. **6029**



Introduced by Reps. Ibarra "Barry" M. Gutierrez III, Benhur L. Salimbangon, Winston "Winnie" T. Castelo, Edgar R. Erice, Jose Christopher Belmonte, Pryde Henry A. Teves, Ma. Victoria Sy-Alvarado, Cresente C. Paez, Rodel M. Batocabe, Julieta R. Cortuna, Juan Johnny R. Revilla, Catalina Leonen-Pizarro, Joseph Stephen Paduano, Sherwin Tugna, and Terry Ridon

EXPLANATORY NOTE

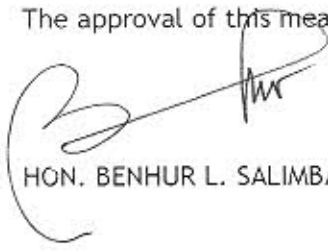
This bill seeks to strengthen the National Home Mortgage Finance Corporation by amending Presidential Decree (P.D.) No. 1267. This bill aims to ensure that the National Home Mortgage Finance Corporation is able to keep up with the developments in housing-related financial instruments and the investment instruments market in order to respond better to the state's obligation to produce mass housing for its citizens.

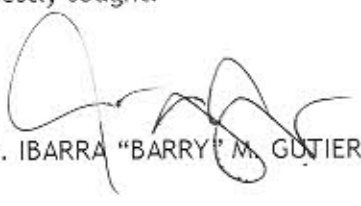
Toward this end, this bill intends to broaden the mandate of the corporation to include the development of the secondary market for housing-related financial instruments. This would allow the corporation to securitize housing-related receivables or assets aside from mortgages and issue housing-related asset-backed securities. These securities are proposed to be made exempt from the registration requirements under the Securities Regulation Act to accelerate their issuance in order to increase funds for housing development.

Additionally, this bill expands the functions of the corporation to include development or promotion of or investment in new housing-related financial instruments and investment vehicles, including real estate investment trusts and reversed mortgages, to increase the funds that can be made available for housing development.

Finally, this will allow the corporation to accept equity participation from other government financial institutions through conversion of existing obligations to equity or subscription to unissued shares of stock and likewise from private investors and multilateral agencies if it serves the attainment of the corporation's mandate.

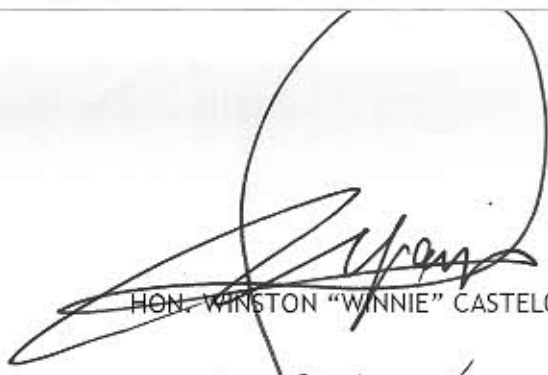
The approval of this measure is, therefore, earnestly sought.


HON. BENHUR L. SALIMBANGON


HON. IBARRA "BARRY" M. GUTIERREZ III



HON. EDGAR ERICE



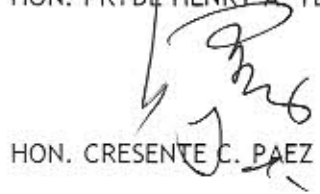
HON. WINSTON "WINNIE" CASTELO



HON. PRYDE HENRY A. TEVES



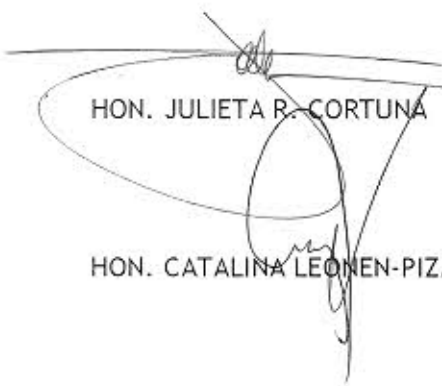
HON. JOSE CHRISTOPHER BELMONTE



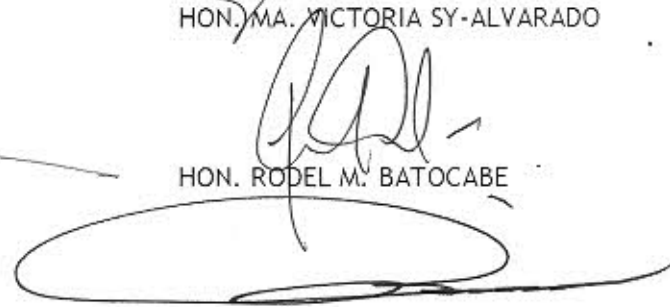
HON. CRESENTE C. PAEZ



HON. MA. VICTORIA SY-ALVARADO



HON. JULIETA R. CORTUNA



HON. RODEL M. BATOCABE



HON. CATALINA LEONEN-PIZARRO

HON. JUAN JOHNNY R. REVILLA

HON. SHERWIN TUGNA



HON. JOSEPH STEPHEN PADUANO

HON. TERRY RIDON

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AN ACT
TO STRENGTHEN THE NATIONAL HOME MORTGAGE FINANCE CORPORATION FOR
MASS HOUSING ENDEAVORS, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE
NUMBERED 1267

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

Section 1. For purposes of this Act and in order to strengthen the National Home Mortgage Finance Corporation, Presidential Decree (P.D.) Numbered 1267 is hereby amended as follows:

- (a) The preamble of P.D. 1267 is amended to read as follows:

"WHEREAS, there is an urgent need to effectively increase the level of funds committed to the housing effort by establishing a secondary market for home mortgages and other housing-related receivables, conveyances and financial instruments, as well as by developing, promoting and operationalizing new housing-related financial programs, products, instruments and investment vehicles and the capital markets for the purpose which will amplify and enable home financing institutions to optimize the leverage of funds earmarked for housing and home development;

"WHEREAS, it is a policy of the state to pursue the development of a secondary market for asset-backed securities, particularly for, but not limited to, residential mortgage-related financial instruments, to generate investment in and accelerate the growth of the housing finance sector, especially for socialized and low-income housing;

"WHEREAS, the development of a secondary market for home mortgages, other housing-related receivables, conveyances and financial instruments, as well as the development, promotion and

operationalization of new housing-related financial programs, instruments, products and investment vehicles require the support and assistance of the Government and the private sector.

(b) Sections 3, 4, and 5 are hereby amended to read as follows:

- 1) "Section 3. Capitalization. - The corporation shall have an authorized capital stock of Fifty Billion Pesos (Php50,000,000,000) divided into Fifty Million Pesos (Php50,000,000) shares of common stocks with a par value of One Thousand Pesos (Php1,000) per share, to be subscribed and paid by the Government of the Republic of the Philippines.

On recommendation of the Board of Directors and subject to the approval by the President of the Republic of the Philippines, the corporation may accept equity participation from other government financial institutions through conversion of existing obligations to equity or subscription to unissued shares of stock or both. Equity participation may likewise be accepted from private investors or other multilateral agencies if it would serve the public interest or enhance the attainment of the Corporation's mandate."

- 2) "Section 4. Purposes of the Corporation. - The primary purpose of the corporation is to develop, promote, and provide for a secondary market for home mortgages, housing-related receivables, and other financial instruments and conveyances granted or originated by public or private home financing institutions or entities, as well as to undertake, develop, operationalize, facilitate and support new housing-related financial projects, programs, products, instruments and investment vehicles, and cultivate capital markets for the purpose, to effectively increase and optimize the funds available for housing and home development."

- 3) "Section 5. Power and Functions. - The corporation shall have the following powers and functions:

- (a) To purchase in wholesale or retail manner, acquire, sell, discount, refinance, or otherwise deal in home or residential mortgages and participations therein, housing-related contract receivables, conveyances, asset-backed securities and other financial instruments, and develop, promote, and provide for a secondary market for the purpose, under such terms and conditions as may be prescribed by the Board of Directors of the corporation;

- (b) To invest in, undertake, develop, operationalize, facilitate, promote, and support new housing-related financial projects, programs, products, instruments and investment vehicles,

including Real Estate Investment Trusts (REIT) and Reversed Mortgages, under such terms and conditions as may be prescribed by the Board of Directors of the corporation;

- (c) To act as, and perform the functions of, a financial advisor, program manager, and arranger as well as perform other roles necessary to facilitate the housing-related asset-backed securitization projects or issuances of other public or private entities;
- (d) To borrow funds from domestic or foreign private or public financial institutions as, may from time to time, be required for its operations, as well as issue bonds, promissory notes, debentures, and other debt instrument in local or foreign currency;
- (e) To establish and maintain a subsidiary or subsidiaries in relation to any of the purposes of the corporation;
- (f) To own, lease, purchase or otherwise acquire, sell or otherwise dispose of property, real or personal, as may be necessary and appropriate for the conduct of its business;
- (g) To invest the funds or monies of the corporation not invested in mortgage loans and other housing-related receivables, conveyances, financial instruments and investment vehicles in securities issued by the National Government, Bangko Sentral ng Pilipinas (BSP) and other government entities, including government-owned and controlled corporations, and deal with the monies and properties of the corporation in such manner as may be considered wise or expedient for the advancement of its interest;
- (h) To conduct and transact lawful activities and enter into and perform any contract or lawful arrangement with any person or entity, public or private, as may be necessary, desirable, proper, conducive, or incidental in carrying out the business of the corporation, or in the exercise of any of its powers and functions or in the attainment or furtherance of any of its objectives and purposes;
- (i) When the interest of the corporation so requires, it may compromise or release in whole or in part any settled claim of or liability to the corporation;
- (j) To adopt, alter and use a corporate seal; to sue and be sued; and generally, to exercise all powers of a corporation under the Corporation Code which are not inconsistent herewith; and,

- (k) To promulgate such rules and regulations, and to do or cause to be done any one or more of the acts and purposes set forth herein, within or outside the Philippines, as may be necessary, desirable, proper, conducive, or incidental to carry out any one or more of its responsibilities, powers and functions or for the attainment of the corporation's objectives, or which shall, at any time, appear conducive to or expedient for the protection or benefit of the corporation."
- (c) Section 6 of P.D. No. 1267 is hereby deleted *in toto*.
- (d) Sections 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17 are hereby renumbered as Sections 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16, respectively.
- (e) Renumbered Section 7 is hereby amended to read, as follows:

"Section 7. Investment of Funds. - Funds of the corporation not invested in home mortgages shall be kept in cash on hand or on deposit, or invested in securities issued by the National Government, BSP, and other government entities, including government-owned and controlled corporations.
- (f) Renumbered Section 8 is hereby amended to read as follows:

"Section 8. Board of Directors. - The powers and functions of the corporation shall be exercised by a board of directors, hereafter referred to as the "board", which shall be composed of the following:

 - a. The Chairperson of Housing and Urban Development Coordinating Council (HUDCC) who shall be the Chairperson of the Board;
 - b. The President of the corporation, who shall be the Vice-Chairperson;
 - c. The Secretary of the Department of Finance (DOF): *Provided*, That whenever the Secretary of the DOF is unable to attend the meeting of the board, the secretary shall designate an undersecretary or assistant secretary or such other officer as may be allowed under applicable laws, rules, regulations, or issuances of the Governance Commission for Government-Owned and Controlled Corporations (GCG) to act as his permanent alternate;
 - d. The Governor of the BSP: *Provided*, That whenever the BSP Governor is unable to attend the meeting of the Board, the governor shall designate a deputy governor or such other officer as may be allowed under applicable laws, rules, regulations, or issuances of the GCG to act as his permanent alternate;
 - e. The Secretary of the Department of Budget and Management (DBM): *Provided*, That, whenever the Secretary of the DBM is unable to

attend the meeting of the board, the secretary shall designate an undersecretary or assistant secretary or such other officer as may be allowed under applicable laws, rules, regulations, or issuances of the GCG to act as his permanent alternate;

- f. Two (2) members to be appointed by the President of the Philippines from the private sector who shall be Philippine citizens and residents, of good moral character, of proven competence and known probity/integrity, and with special training, expertise, or experience of at least ten (10) years in any of the fields of economics, business management, finance (preferably housing finance), law or other relevant areas: *Provided*, That in the event of vacancy, the successor appointed to fill the same shall serve only the unexpired portion of the term of the member he succeeds."

- (g) Subsection d of renumbered Section 9 is hereby amended to read as follows:

"Section 9. Powers of the Board. - The Board shall have the following powers:

"a. x x x

"b. x x x

"c. x x x

- "d. On recommendation of the president of the corporation, to create offices or positions necessary for the efficient management, operation and administration of the corporation; to approve the appointment, removal, or discipline of personnel holding managerial or higher level positions for cause as provided by law; and, to fix the remunerations and other emoluments of the officers and personnel of the corporation; *Provided*, That all positions in the corporation shall be governed by a compensation and position classification system and qualifications standards approved by the corporation's Board of Directors based on a comprehensive job analysis and audit of actual duties and responsibilities: *Provided*, further, That the compensation plan shall be comparable with the prevailing compensation plans in the private sector; and to establish and maintain a provident fund and determine the corporation's and the employee's contribution to the fund.

"e. x x x"

- (h) Renumbered Section 10 is hereby amended to read as follows:

"Section 10. Meetings. - The Board shall meet at least once a month. Special meetings may be convoked by the chairperson to consider such subjects or matters as may be necessary under the circumstances."

A majority of the directors shall constitute a quorum for the transaction of corporate business.”

- (i) Renumbered Section 11 is hereby amended to read as follows:

“Section 11. Remunerations for Attendance in Meetings. - The members of the board, except *ex officio* directors and their alternates, shall be entitled to *per diems* for every meeting actually attended, in such amount as the board may deem proper and in accordance with allowable limits provided under applicable laws, rules, regulations, or issuances of the GCG.”

- (j) Renumbered Section 12 is hereby amended to read as follows:

“Section 12. President. - The Chief Executive Officer of the corporation shall be the President who shall be elected annually by the members of the Board from among its ranks, for a term of one (1) year, pursuant to Section 18 of Republic Act Numbered 10149, otherwise known as the “GOCC Governance Act of 2011”. He must be of good moral character, of unquestionable integrity and responsibility, and must be of recognized competence in any of the fields of economics, banking, finance, commerce or industry. He shall be assisted by an Executive Vice President and such other officers as may be necessary for the efficient operation of the Corporation.”

- (k) Renumbered Section 14 is hereby amended to read as follows:

“Section 14. Remuneration of the President. - The salary of the president shall be fixed and determined by the Board of Directors. The board may authorize the payment of allowances and other emoluments to the president of the corporation.”

- (l) Renumbered Section 15 is hereby amended to read as follows:

“Section 15. Appointment and Discipline of Personnel. - The president shall, in accordance with civil service laws, rules and regulations, appoint the personnel of the corporation and prescribe their duties and qualifications in accordance with the standards approved by the board, to the end that only suitable and competent personnel may be employed and, when warranted, remove, suspend, or otherwise discipline them for cause: *Provided*, That all appointment or termination of, or disciplinary actions against, persons holding managerial and higher level positions shall be subject to the approval of the board, upon the recommendation of the president.”

- (m) Sections 18 and 19 of P.D. No. 1267 are hereby deleted.

- (n) Section 20 of P.D. No. 1267 shall be re-designated as Section 17 and amended to read as follows:

"Section 17. Tax and other Exemptions. - Notwithstanding the provisions of any general or special law to the contrary, the corporation, its assets, properties, contracts, documents, instruments, and transactions, including all income and earnings, shall be exempt from the payment of all taxes, duties, fees, assessments, and other charges, including costs, service, and filing fees, appeal bonds, and *supersedeas* bonds in any court or administrative proceedings."

- (o) There shall be inserted three new sections after renumbered Section 17 to be designated as Section 18, Section 19, and Section 20 which shall read as follows:

"Section 18. Exemption from Registration Requirement for Housing-Related Asset-Backed Securities Issuances. - Notwithstanding the provisions of any general or special law to the contrary, all asset-backed securities issued by the corporation, directly or through a special purpose entity under the Securitization Act, shall be exempt from the registration requirement under the Securities Regulation Act."

"Section 19. Income Tax Exemption for Asset-Backed Securities. - Consistent with the state's policy of promoting the securitization of mortgage and housing-related receivables of government housing agencies, the yield or income of investors from any low-cost or socialized housing-related asset-backed securities issued by the corporation directly or through a special purpose entity under the Securitization Act shall be exempt from income tax. Such securities issuances shall likewise enjoy all tax exemptions and incentives granted under the said Act."

"Section 20. Exemption from Dividend Requirement. - The corporation shall declare and remit dividends to the National Government pursuant to Republic Act No. 7656, computed based on the effective equity of the government in the corporation. It shall be exempt from such dividend requirement if the government's actual or effective equity in the corporation is reduced to zero."

- (p) The succeeding sections shall be renumbered accordingly.

Sec. 2. All laws, decrees, executive orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

Sec. 3. If any provision of this Act is declared unconstitutional, the remainder of this Act or any provisions not affected thereby shall remain in full force and effect.

Sec. 4. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,