



Pag-IBIG Fund
Corporate Headquarters
The Atrium of Makati
Makati Ave., Makati City

Pag-IBIG Fund Circular No. 237

REVISED OMNIBUS GUIDELINES IMPLEMENTING THE PAG-IBIG TAKEOUT MECHANISM UNDER THE DEVELOPERS' CTS/REM SCHEME

I. GENERAL PROVISIONS

A. OBJECTIVES

1. To enhance the asset quality of the Pag-IBIG mortgage loan portfolio by instituting a credit risk sharing mechanism with housing developers;
2. To define parameters in the allocation and disbursement of funds allocated for housing, specifically for developer-assisted member-loans;
3. **To recognize performance of developers in their dealings with Pag-IBIG Fund;**
4. **To provide motivation and incentives to developers to continuously deliver quality mortgages to Pag-IBIG Fund;**
5. To fast track the government's housing program by providing an express take-out window for accredited developers who meet the standards set by Pag-IBIG Fund.

B. COVERAGE

These guidelines shall apply to developers who shall deliver housing loan applications to Pag-IBIG Fund beginning **1 July 2008**. These HL applications are secured by Contracts to Sell (CTS)/Real Estate Mortgage (REM) on the residential property to which the loan proceeds are applied at the point of loan take-out.

Developer-assisted housing loan applications filed through the Pag-IBIG retail window shall not be covered by these guidelines

C. MECHANICS

1. Pag-IBIG Fund shall accredit developers who shall participate in the program to ensure that its objectives are met. **Accredited developers shall be further classified into the following categories in accordance with the criteria set in Item II-A hereof:**
 - 1.1 **Window 1 –CTS/REM with Buyback Guaranty**
 - 1.2 **Window 2 – CTS without Buyback Guaranty**

2. The Fund and the accredited developer shall enter into a Funding Commitment Agreement (FCA) providing for among others
 - 2.1 That the Fund shall extend a funding commitment line (FCL) to the developer upon compliance with the terms and conditions set by the Fund;
 - 2.2 That for developers under Window 1, the following shall apply:
 - 2.2.1 That the developer shall receive, evaluate, pre-process and approve the housing loan applications of the Fund's member-borrowers in accordance with the applicable Guidelines of the Pag-IBIG Housing Loan Program;
 - 2.2.2 That the developer shall buy back CTS / REM accounts which default or are affected by breach of warranties during the first two years of the loan;
3. For accounts covered by Contract to Sell (CTS)
 - 3.2 The developer shall execute a Contract-to-Sell with the Pag-IBIG member to cover the purchase of the residential property or lot used as collateral for the Pag-IBIG housing loan of the member.
 - 3.3 The developer shall execute a Deed of Assignment assigning the CTS in favor of the Fund, which shall be annotated in the title of the property.
 - 3.3 Conversion of CTS Accounts
 - 3.3.1 The developer shall convert the security of eligible accounts from CTS to REM not later than the 24th month from date of loan takeout and in accordance with Item VIII hereof.
 - 3.3.2 All expenses relative thereto shall be for the account of the developer. For this purpose, the Fund shall deduct an amount corresponding to the following percentages of the total loan value from the takeout proceeds of the developer.

LOAN VALUE	Up to P180,000	Over P180,000 to P500,000	Over P500,000 to P1 M	Over P1 M to P2 M
BIR	2.5%	3.5%	4.5%	5.0%
RD	1.5%	1.5%	1.5%	1.5%
LGU	1.0%	1.0%	1.0%	1.0%
	<u>5.0%</u>	<u>6.0%</u>	<u>7.0%</u>	<u>7.5%</u>

The said rates shall be based on the original loan takeout value regardless of the selling price or zonal valuation of the property.

- 3.3.3 Retention for BIR or LGU expenses may be waived, refunded or reduced prior to the conversion period. It shall be carried out only upon presentation of the original supporting documents, such as, but not limited to the following:

- a. Certificates/documents **issued by a regulatory / government agency** expressly granting exemption to the developer from paying taxes [*i.e.* **creditable withholding tax (BIR) and the transfer tax (LGU)**] that are relative to the conversion of CTS accounts to REM.

Developers granted with tax incentives by the Board of Investments must still present a Certificate of Tax Exemption from the BIR.

- b. DST Declaration/Return (BIR Form No. 2000) and Payment Form (BIR Form No. 0605).

A copy of each document **certified by the issuing agency** shall be kept by Pag-IBIG Fund.

3.3.4 The Fund may, from time to time, review the rates mentioned above and make the necessary adjustments thereon when circumstances warrant, as when new laws, ordinances, rules, regulations or circulars are passed/issued by the concerned government body/agency that may affect existing rates.

3.3.5 **The following developers shall be allowed to substitute retention for conversion purposes with other assignable instruments:**

- a. A developer **under Window 1**
- b. **A developer who opted to participate under Window 2 despite meeting the classification criteria provided for in Item II – A.2 of the abovementioned guidelines, except for the Buyback Performance criterion**

Said instruments, **the value of which shall be based on the retention rates listed above**, shall include but are not limited to the following:

- a. Pag-IBIG Housing Bonds
- b. Certificate of Time Deposit and other bank certificates
- c. Trust / Escrow Accounts
- d. Government securities (treasury bonds, bills, notes, etc.)
- e. Other assignable instruments acceptable to the Fund

3.3.6 **In case the retained amount is subsequently withdrawn from the Fund in favor of a third party guarantor, the amount to be released shall be net of a service fee of 0.1%.**

4. For accounts covered by Real Estate Mortgage (REM)

4.1 The developer shall be responsible for the annotation of the Loan and Mortgage Agreement (LMA) on the Individual Transfer Certificate of Title covering the house and lot units subject of the loan with the appropriate Register of Deeds (RD) and shall deliver the complete mortgage folders to the Fund.

- 4.2 Instead of a CTS, the loan may be secured by a First REM and exempted from the buyback provision, provided any of the following conditions are complied with:
 - 4.2.1 The borrower pays the advance amortizations for twenty-four (24) months; OR
 - 4.2.2 The loan-to-collateral ratio does not exceed **seventy percent (70%)**
5. The developer shall commit to answer for any defects on land development and house construction (except that which is caused by normal wear and tear), and shall do the following, at his own expense, within a period of sixty (60) calendar days from the date of loan takeout:
 - 5.1 Re-work and/or reconstruct houses
 - 5.2 Undertake land development,
 - 5.3 Correct defects and/or meet the specifications set by the Housing and Land Use Regulatory Board (HLURB).

This shall be without prejudice to the provisions of Article 1723 of the Civil Code of the Philippines, to which the developer agrees to bind himself solidarily with the engineer, architect or contractor (as the case may be).
6. The developer shall be responsible for the payment of all expenses incidental to the registration of the Deed of Assignment / LMA, which necessarily includes the payment of all tax obligations that may be imposed as a consequence of the executions of the said loan documents in favor of the Fund.
7. **Pag-IBIG Fund shall accredit developers who may enter into a Collection Servicing Agreement with the Fund and act as its collecting agent during the first two years of the loan repayment period in accordance with Item IX hereof.**

II. ACCREDITATION

A. ACCREDITATION AND CLASSIFICATION CRITERIA

1. The Fund shall accredit developers on the basis of the following criteria:
 - 1.1 The developer / company must be duly authorized to operate as evidenced by a Certificate of Registration from the Securities and Exchange Commission (SEC) or the Bureau of Domestic Trade (BDT).
 - 1.2 The developer / company's officers must have an established track record in real estate development.
 - 1.3 The developer must show proof of technical and financial capability to undertake and complete the housing project to which the developer shall apply the proceeds of the loan takeouts covered by the funding commitment line.

- 1.4 The developer must pass satisfactory background / credit checks to be conducted by the Fund.
2. **Participation under the Window 1 scheme shall be granted to developers who meet the following classification criteria:**

- 2.1 **The developer must have dealt with Pag-IBIG Fund for at least two years and with at least 300 accounts taken out.**

A new developer shall be allowed to take part under the Window 1 scheme, provided any of its key officers have previously dealt with the Fund for at least two years and have facilitated the take out of at least 300 accounts. The key officers being referred herein shall include the board of directors, president/general manager/chief executive officer, corporate secretary, and corporate treasurer.

- 2.2 **Performing Accounts Ratio**

The developer must have at least two years of delivering quality mortgages to the Fund and at least ninety percent (90%) Performing Accounts Ratio (PAR) at point of evaluation.

The PAR shall be computed in this manner:

$$\text{PAR} = \frac{\text{Performing Accounts (i.e., 0 - 3 months in arrears) that are taken out within the last 24 months prior to date of application, including fully paid accounts and accounts bought back}}{\text{All accounts taken out within the last 24 months prior to date of application, including fully paid accounts and accounts bought back, as well as accounts with unpaid buyback obligation beyond the seasoning period}}$$

Should a developer garner a PAR of 89.5%, said score shall be rounded up to 90%. Conversely, a PAR of 89.4% shall be rounded down to 89%.

- 2.3 **Quality of Units**

The percentage of units that pass inspection should at least be ninety percent (90%) of the total number of delivered and inspected units as of the quarter prior to date of application for FCL.

$$\text{Quality of Units} = \frac{\text{No. of units that pass inspection}}{\text{No. of units delivered and inspected as of the quarter prior to date of application}} \geq 90\%$$

2.4 Quality of Documents

The percentage of accounts that are properly documented should at least be ninety five percent (95%) of the total number of delivered accounts as of the quarter prior to date of application for FCL.

$$\text{Quality of Documents} = \frac{\text{No. of accounts that are properly documented}}{\text{No. of delivered accounts as of the quarter prior to date of application}} \geq 95\%$$

2.5 Post-takeout validation of Borrowers

All borrowers whose accounts were delivered as of the quarter prior to date of application for FCL are validated relative to the following:

- a. eligibility to avail of the loan, per Membership Status Verification Slip (MSVS)
- b. attendance with housing loan counseling
- c. their knowledge of the terms and conditions of their respective loans
- d. their acceptance of the housing units, whether said units were constructed in accordance with plans as approved by HLURB

Post-takeout validation of borrowers shall be performed by the Servicing Department for NCR and the Housing Loans Division for Provincial Branches. It shall be carried out within thirty (30) days from takeout.

Refer to Annex A - Borrower's Validation Sheet

2.6 Conversion Performance

The number of accounts that are already converted or are substantially converted should be at least ninety percent (90%) of all accounts due for conversion as of the quarter prior to date of application for FCL.

$$\text{Conversion Performance} = \frac{\text{No. of accounts already converted or are substantially converted}}{\text{No. of accounts due for conversion as of the quarter prior to date of application for FCL}} \geq 90\%$$

A developer whose accounts are already with the Registry of Deeds and is able to present proof of payment to the RD, BIR, and the City/Municipal Assessor's Office shall be deemed as having substantially complied with the conversion requirement.

2.7 Buyback Performance

The number of accounts that are bought back should be at least ninety percent (90%) of total accounts due for buyback as of the quarter prior to date of application for FCL.

$$\text{Buyback Performance} = \frac{\text{No. of accounts bought back}}{\text{No. of total accounts due for buyback as of the quarter prior to date of application for FCL}} \geq 90\%$$

2.8 Institutional Loan Performance

In the event the developer has an outstanding institutional loan, arrearages thereof shall not exceed three (3) months, i.e. performing loan, as of the quarter prior to date of application for FCL.

2.9 Record with the HLURB

A developer must have no record of a Cease and Desist Order at the time of evaluation, as supported by a certification issued by the Housing and Land Use Regulatory Board (HLURB).

B. DOCUMENTARY REQUIREMENTS

Documentary requirements for accreditation shall be as follows:

2. Duly accomplished application form
3. Articles of Incorporation and By Laws
4. Corporate profile including capitalization and ownership structure
5. Audited financial statements for the last three years duly acknowledged by the BIR*
6. List of Board of Directors and officers, with resumes
7. **Certification from the HLURB that the developer has not been issued with a Cease and Desist Order.**
8. Other documents as may be required

**For newly registered developers, submit Affidavit of the Treasurer, duly authenticated by the SEC.*

C. EVALUATION OF APPLICATIONS FOR NEW/RECLASSIFICATION OF ACCREDITATION

1. Applications for accreditation shall be evaluated and approved by the Accreditation Committee, composed of the following:
 - Vice President of the concerned operations group as Chairperson
 - Department/Branch Managers as members
2. **Developers who did not qualify for Window 1 shall be automatically classified under the Window 2 Scheme. However, developers who qualified under Window 1 shall have the option to deliver under Window 1 or Window 2 Scheme.**
3. **Developers shall be notified of the result of evaluation within five (5) working days from date of evaluation.**

4. A developer's performance shall be evaluated quarterly to determine whether said developer is eligible to continue, or be upgraded under the Window 1 scheme.
5. A developer participating under the Window 1 scheme, who failed to meet the classification criteria thereon, shall be allowed to deliver accounts under the said scheme for the immediately succeeding quarter; Provided, however, that said developer satisfies the criteria within the said quarter. Otherwise, his deliveries for the next quarters shall be processed under the Window 2 scheme.
6. Developers under Window 2 who wish to take part in the Window 1 scheme may apply for reclassification for the succeeding quarters. Considering the nature of Window 2, the Buyback Performance criterion will not be considered in the evaluation and reclassification of Window 2 developers.

III. FUNDING COMMITMENT LINE

A. ALLOCATION OF PROGRAMMED FUNDS

The Fund shall ensure the takeout of eligible housing loan applications delivered by granting a funding commitment line according to the following parameters:

1. Group Allocation – Funding allocation for the current year shall be based on the membership level of the concerned Pag-IBIG Operations Group as of the end of the immediately preceding year.
2. Single Developer's Limit - the Fund shall impose a single developer's limit of not more than P500 Million per annum.

B. TERMS AND CONDITIONS OF THE LINE

1. Amount / Term

- 1.1 The amount of the FCL shall be based on the developer's projected schedule of delivery of housing loan applications, from the date of application for FCL up to the end of the calendar year, which shall be the term of the commitment line.

For this purpose, the developer shall submit the corresponding monthly schedule of projected delivery of housing loan applications, with the first delivery scheduled not later than sixty (60) calendar days from the date of the signing of the FCA.

- 1.2 The developer shall inform the Fund in writing at least thirty (30) calendar days prior to delivery date if he shall not deliver housing loan applications for a scheduled drawdown. As such, the developer automatically gets a thirty (30) – day extension to utilize the FCL.

In case the developer failed to comply with the required notice, the commitment line corresponding to the scheduled delivery shall be forfeited.

2. Commitment Fee

2.1 The developer shall pay a front-end quarterly commitment fee equivalent to one-half percent (1/2%) of the projected delivery for the quarter.

2.1.1 For a developer under Window 2, the commitment fee shall be non-refundable.

2.1.2 For a developer under Window 1, he shall have the option to seek a refund of the commitment fee paid or apply the same to the succeeding quarter, provided the commitment line for the quarter has been utilized completely. **The following shall be considered as utilization of the commitment line:**

- a. **Actual releases representing take-out values**
- b. **Loan values of accounts delivered to the Fund**

Non-utilization or partial utilization of the commitment line shall entail **the forfeiture of the unused line and the proportionate commitment fee for the quarter.**

2.2 In case of re-application for a commitment line that was forfeited, the developer shall pay the commitment fee of one-half percent (1/2%) of the commitment line re-applied for.

3. Processing Time and Release of Funds for Accounts under Window 1

The Fund shall release the takeout proceeds due the developer within seven (7) working days from the date of submission of the following documents:

3.1 For CTS Accounts

- a. CTS duly executed between the member-borrower and the developer, with the written conformity of the buyer to the assignment of the CTS to the Fund;
- b. Certificate of Acceptance declaring that the buyer unconditionally accepts the housing unit;
- c. Occupancy Permit;
- d. Individual Transfer Certificate of Title (TCT) covering the subject house and lot package with the Deed of Assignment (DOA) duly annotated thereon;
- e. Tax Declaration;
- f. Updated Real Estate Tax Receipts (*for the quarter*); and,
- g. Deed of Absolute Sale
- h. Notarized PN;
- i. Sworn Affidavit that the lot has been fully developed and that the house construction has been completed, in lieu of the Collateral Appraisal Report (CAR)

3.2 For REM Accounts

- a. LMA executed by the member-borrower duly annotated on the TCT;
- b. Notarized PN;
- c. Certificate of Lot/House Acceptance
- d. Occupancy Permit;
- e. Individual Transfer Certificate of Title (TCT) covering the subject house and lot package in the name of the borrower with proper mortgage annotation in favor of the Fund;
- f. Tax Declaration and Tax Receipt/s in the name of the borrower; and
- g. Updated Real Estate Tax Receipt (*for the quarter*)

4. Processing Time for Accounts under Window 2

- 4.1 Housing loan applications under Window 2 that are delivered after the signing of the FCA, which meet the necessary requirements and are within the delivery schedule, shall be processed within thirty (30) working days, and shall be issued the corresponding Notice of Approval (NOA) or Notice of Deficiency (NOD).
- 4.2 Housing loan applications returned to the developer for rectification of documents or correction of findings shall likewise be processed over a period of five (5) working days, reckoned from the date the rectified loan applications are re-delivered to the Fund.
- 4.3 Takeout proceeds shall be released within seven (7) working days from date of submission of the following documents
 - a. CTS duly executed between the member-borrower and the developer, with the written conformity of the buyer to the assignment of the CTS to the Fund;
 - b. Certificate of Acceptance declaring that the buyer unconditionally accepts the housing unit
 - c. Occupancy Permit;
 - d. Individual Transfer Certificate of Title (TCT) covering the subject house and lot package with the Deed of Assignment (DOA) duly annotated thereon;
 - e. Tax Declaration;
 - f. Updated Real Estate Tax Receipts (*for the quarter*); and,
 - g. Deed of Absolute Sale

h. Notarized PN;

5. Inspection for Accounts under Window 1

5.1 At any time within thirty (30) calendar days from loan takeout, the Fund shall conduct a post-takeout inspection of accounts delivered by developers providing buyback guaranty. The developer shall ensure that for the duration of the 30-calendar day period, a technical representative of the developer shall always be present to assist the Fund in the inspection.

5.2 The Fund may also inspect the subject property/ies prior to takeout provided that the processing time will still be within the seven-day prescribed period.

C. ADDITIONAL FCL

A developer who has fully utilized the FCL applied for the year may be allowed to avail of a new FCL, subject to the following:

- a. Availability of funds
- b. Developer's PAR

D. INSURANCE

- 1. To protect the Fund from the risk of the borrower's death, as well as from fire during the pendency of the loan, CTS/REM accounts that have been assigned to the Fund shall be covered by Sales/Mortgage Redemption Insurance (SRI/MRI) and Fire Insurance, the proceeds of which shall be endorsed to the Fund.
- 2. **SRI/MRI coverage shall take effect on the date the Fund accepts loan applications from developer for Window 1 or on the date of Notice of Approval (NOA)/Letter of Guaranty (LOG) for Window 2 up to end of loan term.**
- 3. **Insurance premiums covering the period from acceptance of loan applications from developer for Window 1 or the date of Notice of Approval (NOA)/Letter of Guaranty (LOG) for Window 2 up to the takeout date and the first year of loan repayment shall be deducted from the takeout proceeds.**

IV. WARRANTIES

The developer shall provide the following warranties:

A. LOAN EVALUATION

The developer under Window 1 scheme warrants that the member-borrowers and their respective housing loan applications have been properly evaluated and approved in accordance with the applicable guidelines of the Pag-IBIG Housing Loan Program prior to their endorsement to the Pag-IBIG Fund.

B. DOCUMENTATION

The developer warrants that all documents, inclusive of the individual titles and the corresponding Deeds of Assignment, submitted to the Fund relative to the program, are valid, binding and enforceable in all other respects that they purport to be;

C. TITLE/OWNERSHIP OF PROPERTY

The developer warrants that he is the lawful owner of the property or in the case of joint venture, that the owner has authorized him to develop the property and sell the individually titled saleable units in the subdivision or condominium project, subject of the FCA. Likewise, the developer warrants that the property is free from all liens, encumbrances and adverse claims, that the title/ownership papers have no vitiating defects, which could have been found or discovered with the exercise of proper diligence and technical skills.

D. PROJECT DEVELOPMENT

The developer warrants that the project shall be developed and completed in accordance with the developmental plans approved by the government agencies and other regulatory bodies concerned.

E. HOUSE CONSTRUCTION

The developer warrants that the residential units have been constructed in accordance with the plans and specifications approved by the concerned regulatory agencies, as well as with the local ordinances, and that there are no hidden defects whatsoever in the construction of the said units;

F. MISREPRESENTATION

The developer warrants that any person or agent employed by the developer, or allowed to transact or do business in its behalf, has not committed any act of misrepresentation; and

G. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

The developer warrants that he complied with all pertinent laws, rules and regulations.

H. CONVERSION OF CTS ACCOUNTS TO REM

The developer shall convert the security for eligible accounts from CTS to REM within one hundred eighty (180) calendar days from receipt of notice from Pag-IBIG Fund.

I. DELIVERY OF ACCOUNTS AND OCCUPANCY OF UNITS

Accounts delivered by the developer to the Fund shall be free from lien and encumbrances. The developer shall turn over the properties to the member-borrowers upon release of the takeout proceeds, and the member-borrowers can occupy these properties immediately.

V. INCENTIVES FOR DEVELOPERS UNDER WINDOW 1

A. INCENTIVES

Window 1 developers shall be granted the following incentives:

1. Execution of Unilateral Deed of Assignment

The developer takes the risk that even if the Deed of Assignment is already annotated on the title, the Fund still reserves the right to reject takeout of accounts found to be defective.

2. Deputation of Loan Counseling

Qualified developers shall be deputized to conduct the loan counseling in behalf of Pag-IBIG Fund, using canned presentations provided by the latter.

3. Post-audit of the Membership Status Verification Slip (MSVS)

For qualified developers, the MSVS shall be subject to post-audit evaluation within thirty (30) days from takeout, provided, that the developer shall correct any findings on accounts of borrowers who were subsequently found ineligible within thirty (30) days from receipt of Notice of Buyback.

The developer shall be given fifteen (15) days from demand to buy back said accounts. In case of failure to buy back the account, Pag-IBIG Fund shall automatically offset the total amount due against subsequent takeout proceeds or from any amount due the developer, if any, within five (5) days from the date the 15-day grace period expires.

B. OTHER CONDITIONS

1. Should a developer who benefits from the incentives provided for in these guidelines violate any of the provisions of the Funding Commitment Agreement (FCA), said benefits shall be suspended until such time that the terms and conditions of the said agreement has been fully complied with. Restoration of said incentive shall commence on the beginning of the quarter following the date of the developer's compliance.
2. Member-borrowers, who shall be purchasing properties from developers allowed to have a post-audit of MSVS, shall certify that he/she:
 - a. is a member of the Fund in good standing, *i.e.* has at least 24 monthly contributions and is updated;
 - b. has no STL or has one but it is updated;
 - c. has no existing housing loan, either as principal or co-borrower;
 - d. had no Pag-IBIG housing loan that was foreclosed, cancelled, bought back, or subjected to dacion en pago; and,

- e. has attended loan counseling

Developers shall likewise certify that the member-borrower has attended loan counseling. The above certifications shall be subject to the validation of Pag-IBIG Fund and shall not prejudice the latter from demanding the buy back of affected accounts or instituting appropriate action as provided in the FCA should negative findings arise.

Issuance of MSVS shall be carried out within seven (7) days from submission of complete requirements

- 3. All operating units must designate a point person to process the MSVS from other branches in case online verification is unavailable. For regional requests for MSVS verification by NCR branches, said requests shall be coursed through the Servicing Department – Loans Origination Group