

Pag-IBIG Fund
Corporate Headquarters
Petron MegaPlaza Bldg.,
358 Sen. Gil Puyat Avenue
Makati City

Circular No. 356

TO : **ALL CONCERNED**

SUBJECT : **GUIDELINES ON THE PAG-IBIG FUND DACION EN PAGO
PROGRAM FOR RETAIL HOUSING LOAN ACCOUNTS**

Pursuant to the approval of the Senior Management Committee, the **Guidelines on the Pag-IBIG Fund Dacion en Pago Program for Retail Housing Loan Accounts** are hereby issued:

I. OBJECTIVES

Dacion en Pago is a mode of extinguishing the debtor's obligation whereby a property is alienated to the creditor in satisfaction of a debt in money. The Pag-IBIG Fund *Dacion en Pago* (Dacion) Program for Retail Housing Loan Accounts refers to the conveyance of the mortgaged property by the borrower in favor of Pag-IBIG Fund in satisfaction of his outstanding housing loan obligation. This program seeks to achieve the following objectives:

1. To allow housing loan borrowers to pay their loan obligation through the conveyance of properties in favor of Pag-IBIG Fund;
2. To expedite and simplify the means of consolidating mortgaged properties of retail accounts in the name of Pag-IBIG Fund;
3. To reduce litigation expenses; and
4. To institute immediate turn-around or disposal of properties, which may result in any of the following:
 - 4.1 Savings from maintenance cost;
 - 4.2 Preventing further depreciation/deterioration of the mortgaged properties with Pag-IBIG Fund; and/or
 - 4.3 Capital recovery or generation of cashflow strengthening the liquidity of the Fund.

II. COVERAGE

A borrower, whose housing loan account is in default due to incapacity to pay his loan obligation, may avail of the *Dacion* Program; provided, all collection efforts have been done on the account prior to the application for *Dacion* and subject to the conditions set forth herein.

III. CONDITIONS FOR APPROVAL OF APPLICATION FOR DACION EN PAGO

The application for *Dacion* of the housing loan borrower may be approved by Pag-IBIG Fund subject to the following conditions:

1. The application covers the property mortgaged with the Fund.
2. The housing loan account is in default.
3. Applications for *Dacion* Program shall be accepted regardless of the appraised value of the mortgaged property. The *Dacion* shall be treated as full payment of the borrower's outstanding loan obligation with the Fund.
4. The property must be free from any lien or any encumbrance except those made by the borrower in favor of Pag-IBIG Fund.
5. The Certificate of Sale (COS) is not yet registered if the mortgaged property has been auctioned and awarded in favor of Pag-IBIG Fund.
6. Upon approval of the application for *Dacion* and prior to execution of the Deed of *Dacion en Pago*, the property must be vacated by the borrower and/or by his/her assigns or lessees, if any.

If the housing loan borrower fails to meet the foregoing requirements, the prevailing guidelines on the foreclosure of real estate mortgage shall be applied.

IV. APPLICATION OF MEMBER'S TOTAL ACCUMULATED VALUE

1. The member's Total Accumulated Value (TAV) shall be applied to the outstanding loan balance of the housing loan borrower prior to the execution of the Deed of *Dacion en Pago*, except in the following circumstances:
 - 1.1 The appraised value adequately covers the outstanding loan obligation as of application for *Dacion* Program. The appraised value shall be based on the appraisal conducted by Pag-IBIG Fund that is not more than two (2) years as of the date of application.
 - 1.2 A previous TAV offsetting was made in payment of housing loan arrearages.
2. If the borrower has an existing Short Term Loan (STL), the TAV to be applied to the housing loan obligation shall be net of the outstanding STL obligation plus six (6) months worth of estimated penalties and interest. This shall apply regardless of the status of the loan.

V. COMPLIANCE PERIOD

The housing loan borrower shall submit all the necessary requirements for the *Dacion* Program within thirty (30) calendar days from the submission of the Letter of Intent. If the borrower fails to comply within the said period, Pag-IBIG Fund shall endorse the subject property for foreclosure or continue the foreclosure proceeding of the property, as the case may be.

VI. APPROVAL OF DACION

1. The application for *Dacion* shall be approved by the appropriate level of signing/approving authorities based on the amount of the borrower's outstanding loan obligation, which shall be equivalent to the sum of the following as of date of application:
 - 1.1 Outstanding principal balance;
 - 1.2 Total unpaid interest;
 - 1.3 Insurance premiums advanced by Pag-IBIG Fund; and
 - 1.4 Penalties.
2. For accounts referred to foreclosure or undergoing foreclosure activities, the following items shall likewise be included in the borrower's outstanding loan obligation:
 - 2.1 Attorney's fee equivalent to ten percent (10%) of the outstanding loan obligation for branches with retainers handling accounts for foreclosure. The outstanding obligation shall exclude attorney's fee for foreclosure actions which are handled by internal lawyers of the Fund.
 - 2.2 Foreclosure expenses incurred by the Fund.

VII. DOCUMENTATION

1. The housing loan borrower shall execute a Deed of *Dacion en Pago*, which provides the corresponding amount of consideration for the *Dacion*, in favor of Pag-IBIG Fund upon compliance with the necessary requirements.
2. By virtue of the execution of the Deed of *Dacion en Pago*, the borrower transfers and conveys ownership of the mortgaged property to the Fund as an equivalent performance of his/her obligation to fully pay/settle the outstanding loan obligation due to the Fund.

VIII. OTHER TERMS AND CONDITIONS

1. All expenses, including taxes, to be incurred in the consolidation of title in the name of Pag-IBIG Fund shall be for the account of the Fund.
2. A borrower whose loan has been subjected to *Dacion* shall no longer be eligible to avail of another housing loan. However, the Fund may allow such borrower to avail of a new housing loan under certain meritorious conditions provided in the prevailing Pag-IBIG Fund retail housing loan guidelines.
3. Pag-IBIG Fund may require additional requirements relative to the processing of the application for the *Dacion* Program.

IX. ESCALATION OF ISSUES

Any issue in the interpretation and implementation of this Guidelines shall, as much as possible, be resolved by the concerned officer. Matters that are not thereby satisfactorily resolved shall be escalated to the next higher approving authorities.

X. AMENDMENTS

The Senior Management Committee may amend, modify, revise and/or update the guidelines as needed; provided, the amendments, modifications, revisions and updates thereof, are in furtherance of the objectives of this Program and consistent with the mandate of the Fund under its Charter and existing laws.

XI. REPEALING CLAUSE

The existing Pag-IBIG Fund Circular No. 217 dated 11 October 2006 is hereby repealed. All other memoranda, rules, regulations and other issuances inconsistent with the provisions of this Guidelines shall be deemed repealed or modified accordingly.

XII. EFFECTIVITY

This Circular takes effect immediately.


ATTY. DARLENE MARIE B. BERBERABE
Chief Executive Officer

Makati City,

June 25, 2015