

CORPORATE CIRCULAR NO. _____
Series 2011

TO : **ALL CMP BORROWERS AND MOBILIZERS**

SUBJECT : **EXPRESS LANE FOR CMP PROJECTS UNDER THREAT OF
DEMOLITION/EVICTION OR DISASTERS**

I. STATEMENT OF POLICY AND PURPOSE

This Express Lane for Community Mortgage Program (CMP) and Localized CMP projects offers immediate financing to purchase land for victims of demolition and disasters and communities under imminent threat of eviction.

Republic Act 7279 (the Urban Development Housing Act) provides that there should be no demolition without prior consultation with the affected families and a relocation site acceptable to them. However, some of these relocation sites are usually far from their workplace and requires additional costs (e.g., transportation expenses) which they can no longer afford due to their circumstances in setting up a new home. The Social Housing Finance Corporation (SHFC), which is mandated to develop and administer social housing programs to the low-income groups in both the formal and informal sector, can assist these families with funds from the CMP in providing better relocation sites.

These guidelines shall therefore provide the implementation framework within which SHFC and its partners, the CMP-Mobilizers and the Local Government Units, can immediately provide CMP financing assistance to affected families and communities by threats posed by eviction and disasters.

II. DEFINITIONS

1. Eviction

Eviction is the forced ejection of communities from their place of residence that will result in a major disruption of their economic and social activities. Eviction of communities in their place of abode may be due to commercial and industrial purposes such as the construction and/or maintenance of new/old public infrastructure or the cleaning up of blighted areas.

Aside from the aforementioned situations, evictions shall also include internally displaced peoples (IDPs) in Mindanao due to developmental activities and armed conflict.

2. Demolition

Demolition shall refer to the physical destruction of the shelter structures of communities leading to the latter's residential displacement.

3. Disaster

Disaster shall be defined as the calamity brought about by nature (e.g., earthquakes, volcanic eruptions, tropical cyclones and floods) and man-made actions (e.g., flash floods due to erosion caused by forest denudation, etc.) that has caused the displacement or intensive damage of a community from their place of residence.

4. Displacement

Displacement shall refer to the situation where communities are suddenly removed from the place they are residing. Displacement of communities may have been brought about by the demolition of their residential structure, disaster or armed conflict.

III. COVERAGE

The beneficiaries of this financial assistance are community associations (CA) of informal settlers in urban or urbanizable areas that are under threat of eviction or displacement due to demolition, disaster or armed conflict. Given the immediate nature of financial needs of CA in such situation, SHFC shall process their CMP loan application in a much faster manner by allowing partial submission of documentary requirements. This does not mean, however, that the other documentary requirements are already waived. CAs, upon the release of the loan, will then submit all of the required documents to SHFC.

For the purpose of this set of guidelines, the CMP Off-Site documentary requirements shall be the subject undertaking of the CA to avail of the CMP loan.

IV. CMP FINANCING ASSISTANCE AND GUARANTEE FROM NGO AND LGU

SHFC will provide CMP loans to the subject CAs as long as they are organized and assisted by a Non-Government Organization (NGO) or the concerned Local Government Unit (LGU). Given that the processing of the CMP application under this set of guidelines is deemed immediate, SHFC shall require a guaranty from the concerned NGO or LGU which shall serve as a form of security.

A. Forms of Guaranty

SHFC shall accept the following forms of guaranty from the NGO or LGU:

1. Cash; and
2. In case of LGU, Deed of Assignment on any or all of the following:
 - 2.1 LGU's Internal Revenue Allotment (IRA);
 - 2.2 LGU's regular income as sourced from its annual budget, equivalent to an amount sufficient to service the loan with SHFC but in no case exceeding 20% of its regular income; and
 - 2.3 Net profits or income from the project or economic enterprise to be financed. This shall be net of all the costs and expenses related to the project.

B. Financing through a Guaranty of the Local Government Unit/ Non-Government Organizations

The Guaranty shall be accepted upon submission of the following:

1. Proof that community was/ is under threat of eviction and victims of disasters;
2. Appraisal of the property and site inspection;
3. Background investigation;
4. Feasibility study of the housing project (if with site development and house construction); and
5. Masterlist of beneficiaries.

C. Terms of Guaranty of the Local Government Unit (LGU)/ Non-Government Organization (NGO)

The LGU / NGO shall put up a guaranty equivalent to 25% of the total project cost. The SHFC shall issue the Letter of Guaranty (LOG) and subsequently release the loan

proceeds for CMP projects with LGU/NGO guaranty upon the submission of the following requirements:

1. For Issuance of LOG:
 - 1.1 Loan Agreement of the Community Association;
 - 1.2 Promissory Note of the Community Association;
 - 1.3 Real Estate Mortgage of the Community Association; and
 - 1.4 Guaranty Instrument.
2. For Release of Loan (Take- out):
 - 3.2.1 Deed of Sale; and
 - 3.2.2 Title in the name of the Community Association.

The rest of the requirements under the guidelines of CMP shall be submitted by the LGU / NGO within six (6) months from date of release of the loan proceeds.

D. Purpose of Guaranty of the Local Government Unit / Non-Government Organization

1. Guaranty on Performance

The Local Government Unit / Non-Government Organization shall guarantee the submission of the rest of the CMP requirements within six (6) months after the loan release.

2. Guaranty on Collection

The Local Government Unit / Non-Government Organization shall guarantee the collection of loan amortizations for one (1) year.

E. Call on the Guaranty of the Local Government/ Non-Government Organization

The Local Government Unit / Non-Government Organization shall guarantee both the performance (submission of loan documents) and the collection of loan amortizations for one (1) year. Failure to do so, SHFC shall call on the guaranty of the Local Government Unit.

F. Processing Requirements for the LGU Guaranty

1. Application to Guarantee CMP projects;
2. Contract/ Memorandum of Agreement with LGU;
3. Sanggunian Resolution authorizing the local chief executive to negotiate and sign all documents pertaining to the loan with SHFC;
4. Audited Financial Statements for the past three years;
5. Schedule of IRA for the last two years;
6. Documents that provide details of the proposed project;
7. Approved budget for the current year ; and
8. List of elected officials and key officers.

G. Loan Amount and Loan Term of the Community Associations with Guaranty

1. The CA shall obtain a loan equal to the purchase price of the land being acquired or the SHFC appraisal whichever is lower;
2. Loan maturity shall be for a term of 25 years for the CMP loan of the CA; and
3. The interest of the loan to the CA shall be at 6%.

V. COLLECTION AND ACCOUNT SERVICING OF THE LOAN

The Local Government Unit / Non-Government Organization shall do the collection of loan amortizations for one (1) year.

All provisions of Circulars, Memoranda, Guidelines, Notices and Policies inconsistent with any of the provisions of this Circular are accordingly repealed or modified.

For your information and guidance.

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President