

Republic Act No. 9507

2008 Socialized and Low-Cost Housing Loan Restructuring and Condonation Program

"alay ng gobyerno bilang sagot sa krisis"

Rescue package for housing loan borrowers now in effect

More than 418,000 families in danger of losing their homes in these hard times may now avail of a lifeline offered by the government.

The Socialized and Low-Cost Housing Loan Restructuring Act of 2008, or Republic Act No. 9507, signed by President Gloria Macapagal-Arroyo October last year, became effective on March 16.

Vice President Noli "Kabayan" De Castro, chairman of the Housing and Urban Development Coordinating Council (HUDCC), said that borrowers with delinquent loans with any government financing institution (GFI) or housing agency may now begin applying for loan restructuring and condonation under the new law.

The program covers borrowers and installment buyers of agencies involved in the National Shelter Program, including Government Service Insurance System (GSIS), the Social Security System (SSS), the Home Development Mutual Fund (HDMF) or Pag-IBIG Fund, the National Home Mortgage Finance Corporation (NHMFC), the Social Housing Finance Corporation (SHFC), the Home Guaranty Corporation (HGC), and the National Housing Authority (NHA), whose original loan accounts do not exceed P2.5 million and are in arrears for at least three months.

"This program was specifically created to help out those borrowers who have fallen behind on their mortgage payments and are in danger of losing their homes because of financial difficulties," De Castro said.

The program lightens the burden of troubled borrowers in several ways.

First, it saves them from the heavy burden of having to pay the accumulated penalties and surcharges that have been imposed from unpaid amortizations. All of these shall be condoned upon approval of their application.

Second, the new program allows the lending GFI or housing agency to condone a portion of the unpaid interest, the amount or percentage of which shall be determined by the board of the concerned GFI or housing agency.

"This is a provision that was not present in previous loan restructuring and condonation programs, where only penalties are condoned. This gives leeway to the lending GFI or housing agency, without jeopardizing their long-term financial stability, to further reduce the financial burden on the borrowers," De Castro said.

Third, the remaining accrued interest shall be paid in equal installments during the term of the restructured loan without any interest.

Fourth, the restructured loan shall be imposed an interest rate not higher than that of the original loan, or 12 percent, whichever is lower.

Fifth, the payment period of the restructured loan may be lengthened up to a maximum of 30 years from the approval of the application to lower the monthly amortization. However, the loan term may only be extended up to the borrower's age of 70.

Sixth, borrowers who promptly pay their loan amortizations may also be given incentives such as reasonable discount on interest, to be determined by the GFI or housing agency.

The Vice President said this program is good for both borrowers and lending institutions, "especially during these times when the economy is down."

"On the one hand, it saves borrowers from having their homes foreclosed and joining the ranks of the homeless. On the other hand, the GFIs and housing agencies can also get their non-performing loans moving again and improve their cash flow," he said.

Borrowers may avail of the loan restructuring program within 18 months from the effectivity of the program..

Frequently Asked Questions (FAQs)

Q: What are the covered accounts of this Program?

A: The Program shall cover loans/obligations of delinquent home borrowers/installment buyers of all agencies involved in the National Shelter Program (NSP) of the government, including, but not limited to, the Government Service Insurance System (GSIS), the Social Security System (SSS), the Home Development Mutual Fund (HDMF) or Pag-IBIG Fund, the National Home Mortgage Finance Corporation (NHMFC), the Social Housing Finance Corporation (SHFC), the Home Guaranty Corporation (HGC), and the National Housing Authority (NHA), collectively known as the Government Financial Institutions (GFIs) and housing agencies, with three (3) unpaid monthly amortizations/ payments as of 16 March 2009 provided that the original principal amount of the housing loan/obligation shall not exceed P2.5 million.

The Program shall also cover delinquent accounts of community/homeowners associations/group loans and local government unit (LGU) projects financed by NHA thru loan agreements provided the principal amount of an individual member's loan does not exceed P2.5 million.

Q: Can a borrower who had already availed of the Benefits of a previous condonation or restructuring program still avail of the benefits of this Program?

A: Yes. The borrower who had already availed of the benefits of a previous condonation or restructuring program can still avail of the benefits of this Program.

Q: How many times may one avail of the benefits of this Act?

A: This condonation and loan restructuring may be availed of only once, except in case of force majeure, which prevents the borrower from performing his/her financial obligation under the contract.

Q: How many will benefit from this Program?

A: More than 418,000 delinquent housing loan borrowers shall benefit from this Program.

Q: How can a borrower avail of the Program and where will he/she go?

A: The borrower/installment buyer, legal heir or successor-in-interest shall file the application for the Program with the Head Offices of the GSIS, SSS, HDMF/Pag-IBIG Fund, NHMFC, SHFC, HGC, and NHA or with any of their authorized offices.

A Special Power of Attorney (SPA) shall be accepted only in cases when the party is working overseas and the SPA presented has been executed and duly notarized prior to his/her departure from the country or duly authenticated by the Philippine Consul in the foreign country, or when the applicant is physically incapacitated as evidenced by a Medical Certificate.

Q: How much will a borrower have to spend as cash-out in order to avail of the benefits of this Program?

A: The delinquent borrower/installment buyer, legal heir or successor-in-interest applying for condonation and loan restructuring shall not be charged a processing fee and no down payment shall be required.

However, the insurance coverage of restructured obligations shall be subject to the policies of the respective Boards of the GFIs and housing agencies.

Q: Can a borrower pay the amount in full?

A: Yes. The borrower can pay the arrearages and the balance loan amount in full.

Q: How will the restructuring and condonation be implemented?

A: The condonation and restructuring shall be implemented as follows:

a. All penalties and surcharges shall be condoned upon approval of the application. With respect to the accrued interest on the housing loan, a portion thereof shall also be condoned. However, the amount or percentage of the interest to be condoned shall be determined by the respective boards of the GFIs and housing agencies.

b. All remaining accrued interest shall be treated as non-interest bearing component to be paid in equal monthly amortizations during the term of the restructured obligation.

c. The interest bearing portion of the restructured obligation shall be imposed an interest rate of not more than the interest of the original loan or twelve percent (12%), whichever is lower.

Q: What is the maximum term for the restructured obligation?

A: The maximum term of the restructured obligation shall be thirty (30) years reckoned from the date of approval of application for condonation and loan restructuring. In no instance, however, shall the loan term exceed the difference between the borrower's age at the time of application and age seventy (70).

Q: What happens if a borrower could not avail of the Program?

A: The GFIs and housing agencies shall continue to exercise their rights to foreclose the mortgage or cancel the Contract to Sell/Deed of Conditional Sale/Conditional Contract to Sell.

Q: How will the foreclosure of mortgage of delinquent accounts be implemented?

A: In case of foreclosure of mortgage of delinquent accounts mentioned in the previous question, the foreclosure proceedings shall be exempt from publication in newspapers of general circulation, subject however, to the following conditions:

a. The date and place of auction sale shall be posted for not less than twenty (20) days in at least three (3) conspicuous public places in the city or municipality where the property is situated.

b. It shall be subject to other applicable provisions of R.A. No. 3135, as amended, otherwise known as an "Act to Regulate the Sale of Property under Special Powers of Attorney Inserted In or Annexed to Real Estate Mortgages".

c. A written notice of foreclosure shall be sent to the borrower at his/her last known address.

Q: Upon restructuring, what happens when the borrower defaults?

A: An account shall be considered in default, if the borrower fails to pay three (3) consecutive monthly amortizations/payments. In such cases, the GFIs and housing agencies may pursue foreclosure proceedings or cancellation of Contract-to-Sell/Deed of Conditional Sale/Conditional Contract to Sell proceedings on the property, in accordance with the remedies against delinquent accounts as provided in the IRR.

Q: How much are the penalty charges on delayed payments Of the restructured obligation?

A: Penalty charges on any delayed payment on the monthly amortization/payment of the restructured obligation shall be subject to the policies of the respective Boards of the GFIs and housing agencies to be determined within 30 days from the effectivity of the IRRs.

Q: In case of permanent physical incapacity of the borrower, can the restructured account of such borrower be continued?

A: In case of permanent physical incapacity of the borrower/installment buyer, his/her successors-in-interest may assume payment of his/her outstanding loan.

In case of death of the borrower/installment buyer, the proceeds of the MRI shall be fully applied to his/her outstanding obligation. Any balance left of the obligation may be assumed by his/her legal heirs. The legal heirs and successors-in-interest must pass the GFIs' and/or housing agencies' eligibility requirements before they are allowed to assume payment of the borrower's/installment buyer's obligation.

Q: Is this restructuring and condonation program the same or similar to the ones already being implemented by the GFIs and housing agencies?

A: The Program shall be construed as separate and distinct from the existing condonation and loan restructuring programs being implemented by the respective GFIs and housing agencies and the borrower/installment buyer shall be given the option to choose which condonation and loan restructuring program he/she may avail of.

Q: Can the savings of the member with GSIS, SSS and HDMF/Pag-IBIG Fund be used to pay for his/her arrearages?

A: Yes. The GSIS, SSS and HDMF/Pag-IBIG Fund may allow The borrower-applicant to use the total accumulated value of his/her membership contribution or savings only to update his/her housing payments.

Q: Which accounts are not covered by this Act?

A: The following housing loan accounts are not covered under this Act:

a. Any account without a single payment since take-out/effectivity of contract to sell/deed of conditional sale/conditional contract to sell;

b. An account which housing unit has been abandoned by the borrower-owner for more than one (1) year from the date of delinquency;

c. An account which housing unit is occupied by a third party other than the original registered beneficiary or his/her legal heirs/successor-in-interest;

d. An account that has been foreclosed and the redemption period has already lapsed;

e. An account under a contract-to-sell that has been cancelled;

f. An account that has been surrendered to the GFIs or housing agencies through a dacion en pago, the title of which has already been consolidated/transferred in the name of the GFIs or housing agencies; and

g. HDMF/Pag-IBIG Fund contract-to-sell accounts covered by the developers' buy-back guaranty

Participating Agencies:

GSIS - 976.46.26 www.gsis.gov.ph; SSS - 924.78.49 www.sss.gov.ph;
HDMF/Pag-IBIG - 848.82.60 www.pagibigfund.gov.ph
NHMFC - 817.56.93 www.nhmfc.gov.ph; SHFC - 893.43.71 www.shfcph.com;
HGC - 890.54.66 www.hgc.gov.ph; NHA - 922.30.07 www.nha.gov.ph;