



CORPORATE CIRCULAR NO. 11-018
Series 2011

TO : **ALL CMP BORROWERS AND MOBILIZERS**

SUBJECT : **REVISED IMPLEMENTING GUIDELINES FOR OFF-SITE PROJECTS OF THE COMMUNITY MORTGAGE PROGRAM**

In accordance with the directive of President Benigno S. Aquino III and Vice President Jejomar C. Binay to support measures that would lead to poverty reduction and, at the same time, empower homeless and underprivileged citizens to be productive sectors of Philippine society and contribute to national development efforts, these Implementing Guidelines are hereby promulgated.

I. STATEMENT OF POLICY AND PURPOSE

Pursuant with the objectives of Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992 particularly Articles I, V, and VIII, the Community Mortgage Program (CMP) aims to improve the living conditions of homeless and underprivileged citizens by providing them affordable financing with which they can secure their tenure on the land they occupy or where they choose to relocate to. The program supports the urban poor's constitutional right for security of tenure and development in partnership with Local Government Units (LGUs), Non-Government Organizations (NGOs) and other government and private sector entities.

These guidelines will further strengthen the implementation of CMP by expanding the program to include homeless and underprivileged urban poor communities who would voluntarily transfer and then reside in off-site areas after careful subdivision planning and consideration of basic services. To ensure consistency, these guidelines shall adopt the implementing framework and policies on CMP On-Site Land Acquisition Projects except for specific provisions that refer particularly to a CMP Off-Site Project. Changes made in these implementing guidelines shall be interpreted and applied in furtherance of the program's sustainability and adherence to good governance and transparency.

These guidelines shall likewise serve as the framework within which Off-Site Projects under the Localized Community Mortgage Program will operate.

II. APPLICABILITY

A CMP Off-Site Project is one where a homogeneous community of homeless and underprivileged urban poor families decides voluntarily to transfer to another area to alleviate or improve the circumstance it is facing. The decision to transfer should be community driven and not limited to situations that normally lead to a transfer of residence such as threat of eviction, dangers posed by natural or man-made disasters or calamities, or disruptive effects of government infrastructure projects.

III. TYPES OF CMP-OFF SITE LOAN

Community associations (CAs) of homogeneous homeless and underprivileged communities can avail of one or a combination of the following CMP Off-Site types of loan:

- Lot Acquisition Loan
- Site Development Loan
- Housing Material Acquisition Loan

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Site Development Loan and Housing Material Acquisition Loan can only be availed of when the CA has already acquired the security of tenure to the subject project site/lot. Security of tenure should not be limited to ownership of property.

IV. CMP LOAN TERMS AND CONDITIONS

Maximum Loan Entitlement

The maximum amount of loan a CA member can avail of under the CMP Off-Site shall be as follows:

PARTICULARS	LOCATION OF LAND TO BE PURCHASED	
Types of Loan	Metro Manila and Highly Urbanized Areas	Provincial Areas
Lot Acquisition	P 90,000.00	P 45,000.00
Site Development	P 15,000.00	P 15,000.00
Housing Material Acquisition	P 60,000.00	P 60,000.00
LOAN PACKAGE	P 165,000.00	P 120,000.00

In cases where the maximum loan entitlement for lot acquisition and/or site development loan is not fully utilized by a CA member, the balance (difference between the maximum amount of P90,000.00 and the actual loan entitlement) can be used to augment the CA member's loan entitlement for site development and/or housing material acquisition.

CMP Loan Interest

Each type of loan shall bear an interest of 6% per annum.

CMP Loan Repayment Schedule

Each type of CMP Off-Site Loan will be payable over a maximum term of 25 years.

V. LOAN AMOUNT AND LOAN TO VALUE RATIO

The CMP Loan amount that can be availed of shall be based on: (a) sum of the loan entitlement of the CA members; (b) purchase/contract price between the CA and the landowner; or (c) the appraised value of the property, whichever is lower. The loan to value ratio shall be 100%.

VI. CMP OFF-SITE LOAN REQUIREMENTS AND ELIGIBILITY

In general, the loan eligibility requirements stated in the implementing guidelines for CMP On-Site Land Acquisition Projects shall be used in evaluating the qualifications of a CA and its members. The following shall also be required:

Homogeneity Requirement

Only CAs that possess the homogeneity requirement are allowed to avail of the CMP Off-Site Loan. For CMP purposes, "homogeneous" is defined as having any of the following attributes:

Geographical

- A CA of which 30% of its members come from an existing core group of residents from the low-income/informal sector of the same city. The remaining membership may come from one or more groups belonging to the low income/informal sector residing in the same city; or

Occupational/Sectoral

- A group that has been formally organized for at least one year prior to application, and bound by commonalities, such as low-income occupation and sense of purpose or objective.

VII. PROJECT SITE REQUIREMENTS

The subject area for CMP Off-Site financing shall comply with the: (a) due diligence requirements on property as stated in implementing guidelines for CMP On-Site Land Acquisition Loans; (b) minimum standards for land development and basic services under the CMP; and (c) other essential project site requirements such as the Preliminary Approval and Locational Clearance (PALC) from the concerned Local Government Unit, Road Right of Way (RRROW), etc.

As part of the project site requirements, CAs applying for a land acquisition loan under a CMP Off-Site financing should also submit to SHFC a site development, house construction work plan and occupancy plan on the subject area to be purchased. These plans should contain the strategies and work schedule the CA will be undertaking and the funding sources to support these activities. A timeframe of one (1) year after full release of the loan for land acquisition shall be adopted for the completion of these said plans for the project.

VIII. RELEASE OF LOAN

A. Lot Acquisition

The CMP Off-Site Loan shall be released to the Landowner after all the documentary requirements and due diligence procedures are met. The release of the loan proceeds to the landowner can be made in a single or in several tranches depending on the following circumstances:

- Release 100% of the loan in a single tranche when at least 85% of the CA membership has transferred to the subject CMP Off-Site area;
- Release in two or more tranches if less than 85% of the CA membership has transferred to the subject site. In this situation, releases may be as follows: (a) the first 50% of the loan shall be released upon issuance of the Letter of Guaranty (LOG) when all the documentary requirements and required approvals are met including the request for such release from the landowner; and (b) the final 50% of the loan shall be released on a staggered basis at a rate proportionate to the occupancy performance of the CA until such occupancy reaches the required 85% level.

The landowner of the project site, upon receipt of the first 50% of the loan, shall already allow the immediate transfer of the CA members to the subject property. However, the landowner is encouraged to allow CA members to occupy said property even prior to the release of the LOG to expedite completion of the project and the full release of the loan.

B. Site Development Loan

For Site Development Loan, release of the loan shall be dependent on progress billing. The initial loan amount to be released shall be ten percent (10%) of the total loan amount. This initial amount may be released simultaneously with the lot acquisition loan. Succeeding releases shall be in accordance with the approved work and drawdown schedule that will not exceed a duration of one year. A maximum of five release (inclusive of the first 10%) tranches shall be observed for a period of one year.

C. Housing Materials Loan

For Housing Material Acquisition, loan releases shall be dependent on progress billing. Releases shall be in accordance with the approved work schedule. A maximum of five (5) release tranches shall be observed for a period of one year.

IX. MORTGAGE DOCUMENTATION

In line with the objective of simplifying the documentation of loan releases, Loan and Mortgage Agreements shall cover the entire approved facility of lot acquisition, site and housing construction or

vertical developments, as the case may be. This is provided, however, that the actual Promissory Note (PN) and servicing of the obligation shall be based on the actual loan release by SHFC for the project.

Upon notice to the concerned CA, SHFC shall also have the option to require consolidation of all individual PNs based on tranches/releases into one PN, the due date of which shall coincide with the due date of the lot acquisition loan. For this purpose, one annotation shall be made for the entire loan.

X. ROLE OF CMP-MOBILIZERS

The CAs shall be assisted by a CMP-Mobilizers (CMP-Ms) in preparing themselves for the CMP Off-Site Loan undertaking. The roles and functions as well as the accreditation process for eligibility as CMP-M shall be the same as those stated in the implementing guidelines for CMP On-Site Land Acquisition Loans. The CMP-M shall also be monitored for the developments of their CMP Off-Site projects.

Regarding the service fee entitlement of the CMP-Ms in Off-Site undertakings, the latter shall be entitled to two percent (2%) of the total CMP loan amount or One Thousand Five-Hundred Pesos (PhP 1,500.00) per CA member, whichever is higher.

XI. ROLE OF LOCAL GOVERNMENT UNITS

Aside from being a CMP-M and consistent with Section 39, Article X of Republic Act No. 7279, the Local Government Units (LGUs) shall be encouraged to provide assistance to CAs in identifying lands for CMP relocation by preparing their respective comprehensive land use plans. LGUs are also encouraged to assist CAs in improving and augmenting the site development and/or house construction efforts of CMP project sites.

XII. SANCTIONS

CMP Off-Site Loan beneficiaries should immediately transfer to the purchased site as soon as the lot acquisition loan is released. At least 85 percent of the members of the CA should have settled in the site within one year from the final release of all availed loan proceeds. Failure to do so may lead SHFC to: (a) declare land acquisition loan immediately due and demandable; (b) enforce of all loan agreement sanctions; and (c) suspend the privileges of the CMP-M.

On a related matter, SHFC shall take appropriate legal action against the CA and its officers and the CMP-M who fails to complete the work on site development and/or housing construction/vertical development.

XIII. EFFECTIVITY & TRANSITORY PROVISIONS

This circular shall take effect immediately upon its posting in the SHFC website.

CMP On-Site Project applications that are still being processed and evaluated by SHFC, as of August 2011, that do not meet the required 5-year on-site residency requirement may still be considered for CMP Off-Site financing if: (a) the CA has already been residing on the project site for two years and, as such, can be considered as homogeneous; and (b) the CA meets the requirements under Section VII (Project Site Requirement) of these guidelines.

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.


MA. ANA R. OLIVEROS
President

November 27, 2011