



SOCIAL HOUSING FINANCE CORPORATION

a subsidiary of the National Home Mortgage Finance Corporation

Corporate Circular No. 13 - 026
Series of 2013

Subject : **HIGH DENSITY HOUSING PROJECT GUIDELINES**

In accordance with the directive of President Benigno S. Aquino III and Vice President Jejomar C. Binay to eliminate poverty and homelessness, these Policy Guidelines are hereby promulgated.

1. STATEMENT OF POLICY AND PURPOSE

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992, provides for the equitable utilization of residential lands in urban and urbanizable areas with particular attention to the needs and requirements of the underprivileged and homeless citizens through the rational use and development of urban lands in order to bring about reduction in human dysfunction particularly those that affect public safety and the environment.

The Aquino Administration has allocated Php 50 billion for five (5) years for the Informal Settler Families (ISF) Housing Project. The ISF Housing Project aims to clear the easements along the waterways in Metro Manila of structures and provide in-city and near-site relocation for the affected families. It shall complement the Flood Management Master Plan of the Department of Public Works and Highways (DPWH) that shall impact on the Metro Manila population as well as the nearby cities.

Executive Order No. 272 gave Social Housing Finance Corporation the mandate to be the lead government agency to undertake social housing programs that will cater to the formal and informal sectors in the low-income bracket and shall take charge of developing and administering social housing program schemes. Its Articles of Incorporation authorizes SHFC to purchase, acquire, sell, discount, refinance or otherwise deal in community or home mortgages or participate therein or engage in estate management under such conditions and terms as may be determined by the Board of Directors of the corporation.

In furtherance of its mandate and primary purpose, SHFC promulgates these guidelines to provide the implementation framework within which SHFC can participate in the ISF Housing Project and enable it to extend financing assistance to organized communities for the construction of high density housing projects.

2. DEFINITION

2.1. High Density Housing

High-density housing refers to a slum redevelopment strategy wherein a significant number of informal settler families are accommodated in multi-storey buildings. This may be implemented by either an in-city or near site relocation or a land sharing arrangement.

2.2. Partner – Stakeholders

This refers to SHFC's stakeholders whose crucial partnership role in operationalizing the High Density Housing program make it possible to fully and efficiently implement the project. SHFC's partners are the following:

2.2.1. National government agencies and local government units.

This refers to government agencies who will be working closely with SHFC in the implementation of the Program: formalizing networks and linking the program with the current initiatives; and the local government units who are vital in communicating the program to the community and/or integrating local development plans in the operational needs of the program.

2.2.2. The Community Association (CA).

An organized homeowners association or a cooperative duly registered with appropriate government entities, either with the Housing and Land Use Regulatory Board (HLURB) or the Cooperative Development Authority (CDA) and whose members meet the necessary eligibility requirements.

2.2.3. The Civil Society Organizations (CSO).

This refers to peoples organizations (POs), non-government organizations (NGOs) whose role is to assist the community associations in their organization; act as conduits between the community associations and SHFC; and monitor program developments.

2.2.4. The Private Sector.

This refers to private organizations and/or individuals whose role involves providing assistance in the form of funding, knowledge/expertise and training.

3. COVERAGE

The beneficiaries of this financial assistance are community associations of informal settlers who are living in danger areas and along the waterways in highly urbanized cities.



4. RESPONSIBILITY OF THE COMMUNITY ASSOCIATIONS

The CA shall be responsible for the following:

- 4.1. Identification of ISFs beneficiaries of the project
- 4.2. Community profiling survey
- 4.3. Mobilization of community resources that will respond to project needs
- 4.4. Loan Documentation
- 4.5. Project planning and project management
- 4.6. Estate management that will include collections of payments, maintenance of building and enforcement of community rules and regulations
- 4.7. Payment of taxes and permits relative to project implementation and management
- 4.8. Organizational maintenance

The CA shall partner with support organizations that will ensure the completion of the housing project as well as the efficient and effective estate management.

5. LOAN TERMS AND CONDITIONS

5.1. Types of Loans

The SHFC shall provide financial assistance to Community Associations for the following purpose:

a) Land and Building Construction

Loans for land may involve land acquisition and/or site development. However, site development may be financed only if the loan entitlement can cover the loan. The loan may be accessed either through a single line land and building construction loan or through a two-phased line availability.

b) Building Construction Only.

The community association may avail of a loan for a building construction only if the land has either been donated, leased to or subject to a usufruct arrangement with the CA. The lease contract or usufruct arrangement shall be for a period of at least 30 years.

5.2. Loan Entitlement

The maximum amount of loan a community member can avail of under the High Density Housing Program is P400,000. This may be increased if HUDCC increases the loan ceiling for Medium Rise Buildings for social housing.

5.3. Interest Rate and Loan Term

The interest rate is 4.5% per annum for a maximum period of 30 years.



6. LAND ACQUISITION

The CMP policy guidelines for land acquisition shall be adopted. However, the subdivision plan and building permits shall now be a requirement for the building construction loan.

7. BUILDING CONSTRUCTION

The building standards shall be complied with. The SHFC shall also review the capacities and credentials of the contractor. A Performance Bond from the contractor or developer shall be required as a security for the completion of the building construction work. A retention fee equivalent to 10% of the contract price shall be imposed and released only after a Certificate of Completion and Acceptance from the CA has been received and validated by SHFC. The SHFC validation process shall be within a maximum period of 15 calendar days after receipt of a Certificate of Completion and Acceptance.

8. SHFC OWNERSHIP OR CO-OWNERSHIP

The SHFC shall have the option to acquire/purchase the land and retain ownership of the same while allowing qualified families to acquire and pay only for the cost of the building. It may also opt to co-own the land, including the building and implement a public rental scheme to be adopted in projects wherein a significant number of families may not be able to afford the monthly amortization.

9. REPAYMENT SCHEME

9.a) Modes of Amortization

The repayment shall adopt a graduated scheme. The graduated monthly amortization may adopt a scheme of an annual increase of 10% up to ten years and a fixed amount starting on the 11th year.

A grace period of one (1) month to pay the initial amount of amortization, reckoned from the time of occupancy of the building shall be granted to the HOA.

9.b) Option to Avail of Rent-to-Own Scheme

The HOA, or any of its members duly registered as a beneficiary hereof, may at the onset avail of the Rent-to-Own Scheme entitling the avalee/s to the right-of-possession and enjoyment over the building or unit.

The Rent-to-Own Scheme shall last up to five (5) years only, after which it shall be the legal obligation of the avalee/s either to enter into a Contract to Sell with SHFC or voluntarily vacate the premises without need of any demand to do so.

10. SECURITIES

Mortgages shall be the security to loan.

11. TECHNICAL ASSISTANCE

A subsidy scheme shall be developed to support the technical assistance to be extended for the High Density Housing project. The technical assistance may cover the following services:


- 11.1. Professional fees for the completion of technical plans
- 11.2. Community organizing for all of the phases of the project
- 11.3. Loan Documentation
- 11.4. Capacity Building for:
 - 11.4.1. Planning and Designing
 - 11.4.2. Construction Project Management
 - 11.4.3. Estate Management
 - 11.4.4. Organizational Maintenance
- 11.5. Taxes and permits

12. REFINANCING

Refinancing of ISF projects by local government units maybe allowed pursuant to, and in accordance with, the herein Guidelines.

13. EFFECTIVITY

This Circular shall be effective and in force immediately upon its posting in the SHFC Website.


MA ANA R. OLIVEROS
President

July 11, 2013