



# SOCIAL HOUSING FINANCE CORPORATION

*Enhancing People's Lives and Empowering Communities through FAIR Shelter Solutions*

CORPORATE CIRCULAR NO. 16 - 043  
SERIES OF 2016

**SUBJECT :** Guidelines on the Implementation of Community Mortgage Program (CMP) and High Density Housing Program (HDHP) as Mode of Compliance for the Balanced Housing Development Requirement under Section 18 of the Urban Development Housing Act (UDHA) of 1992

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Section 18 (Balanced Housing Development) of UDHA states that “developers of proposed subdivision projects shall be required to develop an area for socialized housing equivalent to at least twenty percent (20%) of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the Housing and Land Use Regulatory Board (HLURB) and other existing laws.

Under UDHA, the balanced housing development may be complied with in any of the following manner: “(a) Development of new settlement; (b) Slum upgrading or renewal of areas for priority development either through zonal improvement programs or slum improvement and resettlement programs; (c) Joint-venture projects with either the local government units or any of the housing agencies; or (d) Participation in the community mortgage program.”

HLURB Board Resolutions Nos. 890 (series of 2012) and 933 (series of 2016) approved the participation of developers in the SHFC’s Community Mortgage Program (CMP) as a mode of compliance to the requirement of Balanced Housing. It also issued Memorandum Circular No. 05, Series of 2013 which provided the Implementing Rules and Regulations for said Balanced Housing requirement.

In accordance with the above mandates, the hereunder Guidelines are issued to guide the SHFC and the participating developers in operationalizing the latter’s participation or contribution in the SHFC programs.

## **Section 1. Objective**

These Guidelines are promulgated to prescribe the policies and procedures governing the participation or contribution of the developers in the Community Mortgage Program and High Density Housing Program as compliance to the Balanced Housing Development of Section 18 of the Urban Development Housing Act.

## **Section 2. Definition of Terms**

The terms or words used in these Guidelines shall be understood as follows:

- 2.1 **Balanced Housing** refers to the requirement for developers of subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or project cost.

- 2.2 **Developer** refers to the person, natural or juridical, who develops or improves the subdivision project or condominium project for and in behalf of the owner thereof. The landowner who develops a subdivision project directly shall be considered as a developer.
- 2.3 **Community Mortgage Program Project** refers to a housing project financed by or developed or constructed under the community mortgage program of SHFC.
- 2.4 **High Density Housing (HDH) Project** refers to a housing project financed by or constructed under the high density housing program of SHFC.
- 2.5 **Main Subdivision Project** refers to the proposed residential subdivision project required to comply with the twenty percent (20%) balanced housing development requirement of UDHA, the total subdivision project cost of which shall be the basis for computing such balanced housing development requirement.
- 2.6 **Site Development** refers to improvement of the CMP or HDH project site that involves establishment of roads, construction of drainage/sewerage system, installation of water system and electrical connection and reblocking.
- 2.7 **House Construction** refers to construction or completion of a residential unit on a lot owned by the member.

### **Section 3. Modes of Compliance**

The developer of the main subdivision project, under HLURB Board Resolution No. 933Series of 2016, is allowed to participate in or contribute to SHFC programs, such as CMP and HDH as compliance to the Balanced Housing Development requirement. The cost of its participation or contribution shall be equivalent to at least 20%of the main subdivision project.

The developer may choose any of the following modes:

- 3.1 Providing a parcel of land to a CMP project;
- 3.2 Participation in land development and/or housing construction in a CMP project;
- 3.3 Providing or developing a right-of-way (ROW) or access to roads or public transportation lines; or providing or upgrading of amenities, facilities, or other forms of development in an existing CMP;
- 3.4 Subscribing or purchasing asset-backed securities as originated or conveyed by the SHFC.

### **Section 4. Requirements and Procedures**

#### **4.1 Application**

The developer complying with the balanced housing requirement and intending to utilize CMP or HDH as a mode of compliance shall submit the following:

- a. Letter of Intent/Application containing the following information:
  - i. Mode of Compliance
  - ii. Complete Name and Exact Location of the CMP/ HDH Project
- b. Certificate of registration from the Securities and Exchange Commission (SEC) and other registration documents;
- c. Project profile indicating the details of the following:
  - i. land to be donated (location, size, etc.)
  - ii. land development and house construction to be undertaken, including the cost and timetable
  - iii. land for right-of-way (location, size, etc)

#### **4.2 CMP/ HDH Homeowner's Association**

Section 5 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP) states that the developer complying with the balanced housing requirement shall be allowed to participate in or contribute only to a CMP/ HDH project with a Homeowner's Association (HOA) that is currently in good standing with both HLURB and SHFC<sup>1</sup>.

The CMP/ HDH HOA or Community Association chosen by the developer must possess the following eligibility requirements:

- a. The CA is composed of not more than two hundred (200) members. In cases where a CA exceeds 200 members, a well-defined project management structure and other indicators that can show manageability should be presented for the project to be considered
- b. The community has been in existence for five (5) years, eighty-five (85%) of the total number of members should have a residency of five (5) years
- c. Majority of the CA officers and members have been active in community activities for more than one (1) year prior to application
- d. The CA has a maintaining balance in its savings account equivalent to three (3) months loan amortization at the time of application; and
- e. For off-site projects, the homogeneity requirement of 30% of the CA members coming from an existing core group of residents from the low-income/ informal sector of the same city shall also be complied.

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<sup>1</sup>SHFC Circular No. 017 (CMP Implementing Guidelines for On-Site Land Acquisition Projects), SHFC Circular No. 018 (Revised CMP Implementing Guidelines for Off-site Projects of the CMP) and SHFC Circular No. 035 (Amendment to the Community Mortgage Program [CMP] Off-Site Guidelines)

The member beneficiaries of the CMP/ HDH HOA must have the following qualifications:

- a. Filipino citizen, of legal age (18) at the time of loan application and shall not be more than 60 years old upon loan release
- b. The member has certified under oath that he/she has not been a recipient of any CMP loan or other government housing program, does not own or co-own a real property and is not a professional squatter as defined in RA 7279
- c. The member is a structure owner, a renter or a sharer at the site

#### **4.3 Provision of Land as Contribution to a CMP or HDH Project**

Section 4.4.1 of HLURB Board Resolution No. 932 Series of 2016 allows participation in the CMP or HDH through the provision of a parcel of land to a CMP or HDH project. The land to be provided to the CA by the developer complying with the balanced housing requirement will be acceptable if the following criteria under the SHFC Circulars are met:

- a. The title to the land is free from all liens and encumbrances at the time of application, these shall be evaluated as to their acceptability. All liens and encumbrances should be cancelled prior to release of CMP loan proceeds. Liens and encumbrances deemed favorable to the CA may be retained.
- b. The land is not classified as agricultural
- c. The land or any portion thereof is not within environmentally-constrained and/or hazardous and danger areas or high risk areas
- d. The land has a road right of way or access road lot to a city, municipal or barangay road.
- e. The landowner should have the legal capacity to sell or transfer the subject property for loan collateral under the CMP

According to HLURB, if the participation or contribution is a parcel of land, its prescribed zonal value at the time of application for the subdivision development permit of the main subdivision project shall be used in determining the amount of such participation or contribution.

For this mode of compliance, the following documents shall be submitted:

- a. Notarized MOA

According to Section 6 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP), the Memorandum of Agreement (MOA) shall be between the developer and the authorized representative of the homeowner's association of the CMP or HDH project, with the conformity and approval of the SHFC appearing on the same document. The MOA shall specify the amount of participation in

or contribution of the developer of the main subdivision project to the CMP or HDH project.

- b. Notarized Deed of Donation

#### **4.4 Participation in land development or housing construction in a CMP or HDH Project**

Section 4.4.2 of HLURB Board Resolution No. 933 Series of 2016 allows participation in land development or housing construction in a CMP Project. The developer complying with the balanced housing requirement may participate through the following types of land development and construction under the CMP<sup>2</sup>:

- a. Land Development:
  - i. Improvement/ establishment of roads
  - ii. Construction of drainage and/or sewerage system
  - iii. Installation of water system
  - iv. Installation of electrical connections
  - v. Reblocking
- b. House Construction:
  - i. House construction – construction or completion of a residential unit on a lot owned by the member
  - ii. Home improvement – any alteration in an existing residential unit intended by a homeowner to be a permanent integral part thereof, which will enhance its durability and material value

For this mode of compliance, the following documents shall be submitted:

- a. Notarized **MOA**

According to Section 6 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP), the Memorandum of Agreement (MOA) shall be between the developer and the authorized representative of the homeowner's association of the CMP or HDH project, with the conformity and approval of the SHFC appearing on the same document. The MOA shall specify the amount of participation in or contribution of the developer of the main subdivision project to the CMP or HDH project.

- b. Certified true copies of the Fire Safety Inspection Certificate and of the Occupancy Permit or the conduct of inspection and verification proving the completion of the amenities, facilities or other forms of development.

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<sup>2</sup>SHFC Circular No. 018 (Revised CMP Implementing Guidelines for Off-Site Projects of the CMP), SHFC Circular No. 035 (Amendment to the Community Mortgage Program [CMP] Off-Site Guidelines), SHFC Circular No. 14- 031 (Implementing Guidelines for Site Development Loan and House Construction Loan) and HDH Circular No. 14-002 (Implementing Rules and Regulations for Building Construction and Site Development Loans for High Density Housing (HDH) Program)

**4.5 Provision and development of a right-of-way (ROW) or access to roads or public transportation lines to a CMP or HDH project or providing or upgrading of amenities, facilities, or other forms of development in an existing CMP**

Section 4.4.3 of HLURB Board Resolution No. 932 Series of 2016 allows participation in the CMP through the provision and development of a right-of-way or access to roads or public transportation lines or upgrading of amenities.

For this mode of compliance, the following documents shall be submitted:

a. Notarized **MOA**

According to Section 6 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP), the Memorandum of Agreement (MOA) shall be between the developer and the authorized representative of the homeowner's association of the CMP or HDH project, with the conformity and approval of the SHFC appearing on the same document. The MOA shall specify the amount of participation in or contribution of the developer of the main subdivision project to the CMP or HDH project.

b. Notarized Deed of Donation (for the Road Right of Way)

c. Certified true copies of the Fire Safety Inspection Certificate and of the Occupancy Permit or the conduct of inspection and verification proving the completion of the amenities, facilities or other forms of development.

**4.6 Purchase of asset-backed securities originated or conveyed by the SHFC**

Section 4.4.4 of HLURB Board Resolution No. 932 Series of 2016 allows participation in the CMP through subscription to or purchase of asset-backed securities originated or conveyed by the SHFC.

For this mode of compliance, the following shall be submitted:

a. Certified true copy of the certificate of subscription or purchase of the asset-backed securities

b. Certified true copy of the official receipt evidencing payment for such subscription or purchase issued by the Bond Registrar of securities/CMP ABS.

**4.7 Approval of the Developer's Participation/ Contribution to the CMP/ HDH Project and Approval of the CMP/ HDH Project**

SHFC, upon submission of application by the developer complying with the balanced housing, shall undertake (a) background investigation of the CMP/ HDH HOA chosen by the developer for a donation of land, right-of-way, land development and house construction, (b) site inspection of the land or right-

of-way to be donated and review of the specifications for the land development and house construction, (c) review of the deed of donation, transfer certificate of title, memorandum of agreements and other legal documents, including the registration documents.

Upon completion of the abovementioned processes and submission of documentary requirements, SHFC shall approve the application of the developer complying with the balanced housing requirement, at the same time as the approval of CMP/ HDH Project.

## **Section 5. Compliance Certificate of HLURB**

Under Rule IV of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP), a compliance certificate shall be issued to the developer complying with the balanced housing requirement upon submission of the following:

- 5.1 Copy of the notarized MOA mentioned in Section 6 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP) and a copy of the notarized deed of donation, if the mode of compliance is the provision of land under or the provision of right-of-way or access to roads or public transportation lines to a CMP project; or
- 5.2 Copy of the notarized MOA mentioned in Section 6 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP) and of certified true copies of the Fire Safety Inspection Certificate and of the Occupancy Permit or upon inspection and verification proving the completion of the site development and house construction, if the mode of compliance is the participation in land development and/or housing construction in a CMP project
- 5.3 Copy of the notarized MOA mentioned in Section 6 of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP) and of certified true copies of the Fire Safety Inspection Certificate and of the Occupancy Permit or upon inspection and verification proving the completion of the amenities, facilities or other forms of development, as applicable, if the mode of compliance is the provision or development of a right-of-way (ROW) or access to roads or public transportation lines; or providing or upgrading of amenities, facilities, or other forms of development in an existing CMP
- 5.4 Certified true copies of the certificate of subscription or purchase of the asset-backed securities and official receipt evidencing payment for such subscription or purchase issued by the Bond Registrar of securities/CMP ABS if the mode of compliance is purchase of asset-backed securities originated or conveyed by the SHFC.

Upon compliance with these requirements, SHFC shall issue a Certificate of Completion of Requirements to facilitate the issuance by HLURB of the Certificate of Compliance.


#### **Section 6. Additional Requirements**


Rule III of HLURB Memorandum Circular No. 05 (Guidelines for the Participation in the CMP) prescribes additional requirements for the following:

- 6.1 Application for certificate of registration and license to sell of the main subdivision projects including the submission of MOA signed by SHFC and certification that the HOA of the subject CMP is in good standing
- 6.2 Publication of the notice of filing of registration statement which includes the name and location of the CMP project
- 6.3 Posting of Billboard Notices at the site of the CMP project
- 6.4 Submission of Affidavits of Publication and Posting
- 6.5 Annotations on and Issuance of the Certificate of Registration and License to Sell

#### **Section 7. Effectivity**

This Circular shall be effective upon publication in a newspaper of national circulation and the SHFC website.

  
**MA. ANA R. OLIVEROS**  
President

  
June 21, 2016