



**NATIONAL HOME MORTGAGE FINANCE CORPORATION**

NHMFC Corporate Circular No. CMP - 014  
7 February 1992  
Series of 1992

To : All Community Associations of  
CMP Projects

Subject : **SUBSTITUTION OF BENEFICIARIES**

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These guidelines shall apply when a member-beneficiary in the Masterlist of Beneficiaries has been declared in default by the Community Association for failure to pay the amount equivalent to at least three (3) monthly amortizations.

**1. NATURE OF SUBSTITUTION**

Substitution of a qualified member-beneficiary is resorted to when a member fails to pay an amount equivalent to at least three (3) monthly rentals/amortizations.

Substitution also applies to a member-beneficiary who voluntarily withdraws/waives his rights over the awarded lot.

**2. WHO MAY SUBSTITUTE**

The Community Association is responsible for undertaking substitution of members declared in default pursuant to Sec. 19 of NHMFC Circular No. CMP-001. The Community Association is given ninety (90) days within which to look for a qualified substitute.

**3. PROCEDURE OF SUBSTITUTION**

3.1 Whenever a member-beneficiary defaults in the payment of his monthly amortization as stated, a demand letter must be issued by the Community Association to the defaulting member indicating, but not limited to, the following:



- 3.1.1 number of months in arrears;
- 3.1.2 amount of arrearages, including interests, penalties and surcharges;
- 3.1.3 due date of settlement.
- 3.2 If a member fails or refuses to pay/update his account despite the notices/demand letters issued and his account is already three (3) months in arrears, the Community Association shall declare the said member in default. The Community Association shall be given ninety (90) days to look for a qualified substitute.
- 3.3. A Board Resolution shall be ratified by the Board Members of the Community Association on the substitution of the defaulting member. Subsequently, a notice of the action taken by its board shall be issued to the defaulting member.
- 3.4 The disqualified member shall voluntarily surrender possession of the property previously awarded to him. A waiver shall be executed by the disqualified member to this effect.
- 3.5 In case where the disqualified member does not voluntarily surrenders/waives his right over the assigned lot, the Community Association can avail of other legal remedies.

**4. DOCUMENTARY REQUIREMENTS**

After the Community Association has initiated the substitution of a defaulting member, the following documents shall be submitted to NHMFC/CMG:

- 4.1 A Statement of Account showing the arrearages of the defaulting member-beneficiary;
- 4.2 A certified true copy of the demand letter issued by the Association;
- 4.3 Receipt of the demand letter by the defaulting member-beneficiary;

- 4.4 Certification of residence of the substitute beneficiary;
- 4.5 Notarized copy of the Board Resolution(s) attesting the following:
  - 4.5.1 approval of the substitution of the defaulting member;
  - 4.5.2 acceptance of the substitute.
- 4.6 Notice of termination of LPA of the defaulting member/s;
- 4.7 Amended masterlist of beneficiaries;
- 4.8 Individual loan documents of the substituting member:
  - 4.8.1 proof of income;
  - 4.8.2 LPA.
- 4.9 Notarized waiver of outgoing member over his rights of the awarded lot.

In case sections 4.3 and 4.9 can not be submitted by the Community Association, alternate documents shall be required.

**5. VALIDATION OF DOCUMENTS**

NHMFC/CMG shall review and validate the documents submitted by the Community Association.

**6. APPROVAL/DISAPPROVAL OF SUBSTITUTION**

After validation of the documentary requirements, NHMFC/CMG shall issue a letter addressed to the Community Association informing the Community Association of the approval or disapproval of its proposed substitution.

**7. RE-SUBSTITUTION**

If the proposed substitution is disapproved, NHMFC shall require the Community Association for another substitute within sixty (60) days from the disapproval.

8. CONFORMITY OF NHMFC/CMG

If the substitution is approved, NHMFC/CMG shall place its conforme on the Amended Masterlist of Beneficiaries.

9. EFFECTIVITY

This Circular shall take effect immediately.



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