



CORPORATE CIRCULAR NO. LCMP- 002
October 24, 2011
Series of 2011

TO: ALL CONCERNED

SUBJECT: AMENDED IMPLEMENTING GUIDELINES FOR THE LOCALIZED COMMUNITY MORTGAGE PROGRAM (LCMP)

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As a result of a nationwide consultation with various stakeholders from the ranks of Non-Government Organizations (NGOs) and the Local Government Units (LGUs) and in accordance with Board Resolution No. 270 dated October 24, 2011, the following amended Guidelines are hereby adopted to govern the implementation of the Localized Community Mortgage Program (LCMP):

1. RATIONALE

To institute a systematic reduction of the local housing backlog and consistent with the Social Housing Finance Corporation’s (SHFC) mandate to undertake social housing programs that will cater to the formal and informal sectors in the low income bracket, a Localized Community Mortgage Program (LCMP) is hereby adopted by SHFC in partnership with the Local Government Units (LGUs).

The LCMP seeks to contribute to the fulfillment of the mandate of the LGUs (under Republic Act No. 7160 entitled “Local Government Code of 1991” and Republic Act No. 7279 entitled “Urban Development and Housing Act of 1992”) of implementing a comprehensive and continuing urban development program and uplifting the conditions of the underprivileged and the homeless in their respective localities.

In this regard, the LCMP will serve as a vehicle that will enable the LGUs to maximize their limited housing budget, with SHFC providing an additional funding equivalent to seventy-five percent (75%) for 1st to 4th class cities or ninety percent (90%) for 5th or 6th class cities and municipalities, whichever is applicable to the LGUs, of the project cost.

2. OBJECTIVES

The LCMP aims to strengthen the partnership between SHFC and the LGUs to effect a more systematic and focused approach in reducing local housing backlog.

LCMP specifically intends to:

1. extend financial support to priority socialized housing projects based on actual housing need in the locality;
2. facilitate the development and empowerment of local housing stakeholders to actively participate and work together for a more focused reduction of housing backlog in their areas; and

3. effectively leverage and align national and local social housing funds to increase resources available for shelter and make homeownership within reach to a great number of families in partner-LGUs with substantial housing backlog.

3. ELIGIBLE PARTNERS

- 3.1 Cities; and
- 3.2 Municipalities.

Provinces may participate in the project through a joint venture undertaking, with their respective Municipalities/Cities, for the implementation of the project. Provinces are encouraged to extend assistance to the Municipalities/Cities.

4. OMNIBUS COMMITMENT LINE (OCL)

An Omnibus Commitment Line (OCL) is a Commitment Line facility with a one (1) year validity from date of approval made available by SHFC based on projects identified by the partner-LGUs in the amount not to exceed Fifty Million Pesos (P50,000,000.00) per LGU. The projects that may be included under the partner-LGU's OCL shall be as follows:

1. On-site projects - for the purpose of acquiring the land occupied by informal settlers of the partner-LGUs; or
2. Off-site projects - for the purpose of acquiring and developing the land where informal settlers (covered by court eviction order, residing in danger zone areas, or voluntary transfer of one or several communities from the locality) will be relocated through the concept of community ownership.

5. PROGRAM PARTNERSHIP

To ensure the viability of the new program, a separate processing lane at SHFC shall be created specially for LCMP.

5.1 Role of SHFC

5.1.1 To ensure the viability of the project, SHFC shall conduct a background investigation with regard to the occupancy of the Member-Beneficiaries (MB). It shall also validate the LGU appraisal of the project. Both activities shall be made prior to accreditation and granting of OCL to the prospective Partner-LGU;

5.1.2 Upon accreditation, SHFC shall grant the qualified Partner-LGU an OCL not exceeding Fifty Million Pesos (P50,000,000.00) based on the partner-LGU's identified priority urban poor community / social housing projects;

5.1.3 SHFC shall subsequently conduct trainings, orientations and seminars for qualified partner-LGUs on the roles, duties and responsibilities pertaining to the implementation of LCMP as narrated in Section **5.2.3**;

5.1.4 SHFC shall issue the Letter of Guaranty (LOG) in favor of the landowner upon submission of a certification from the Local Housing Board (LHB) of the partner-LGU that the project has been processed in

accordance with SHFC Community Mortgage Program (CMP) guidelines and payment of performance warranty by the partner-LGU as defined in Section **5.2.6**;

5.1.5 SHFC shall release to the landowner the amount equivalent to seventy-five percent (75%) for 1st to 4th class cities or ninety percent (90%) for 5th or 6th class cities and municipalities of the project cost in accordance with Section **5.2.4** within thirty (30) days from the partner-LGUs' submission of warranty on the project as defined in Section **10.1** signed by the municipal/city mayor together with the complete documentary requirements as provided for under the new CMP revised guidelines and a review of the submitted Transfer Certificate of Title (TCT) in the name of the HOA with the corresponding annotation of REM in favor of SHFC;

5.1.6 Within one hundred twenty (120) working days from the release of the take-out proceeds, SHFC shall conduct a post audit of the project and its loan documents submitted by the partner-LGU to validate and determine its compliance with CMP loan guidelines; and

5.1.7 SHFC shall refund to the partner-LGU the performance warranty deposit submitted under Section **5.2.6** after issuance of post-audit clearances.

5.2 Role of the Partner-LGU

5.2.1 The partner-LGU, through its LHB, shall identify priority urban poor communities / social housing projects and enroll the same under the OCL;

5.2.2 The partner-LGU shall enter into a Memorandum of Agreement (MOA) with SHFC undertaking to perform its role in the LCMP and to abide by the guidelines of the Program;

5.2.3 The partner-LGU shall perform all pre-take-out functions in accordance with SHFC policies and guidelines as follows:

1. Accreditation of Non-Government Organizations (NGOs)/ Private Organizations (POs) as CMP Mobilizers;
2. Background Investigation of Community Association/s (CAs), Site Inspection and Appraisal of Project(s);
3. Loan examination; and
4. Mortgage examination.

5.2.4 The partner-LGU shall put-up an equity for the total project cost as counterpart contribution, equivalent to twenty-five percent (25%) of the project cost for 1st to 4th class cities or Ten percent (10%) of the project cost for 5th and 6th class cities and municipalities, which can be in the form of any of the following:

5.2.4.1 land owned by the partner-LGU to serve as site of the project;

5.2.4.2 cash financing to pay-off the lot price (privately owned land);
or

5.2.4.3 site development.

5.2.5 The partner-LGU shall allow the institutional representation and participation of local housing partners *i.e.* POs, NGOs, Key Shelter Agencies (KSA) regional branches, in the LHB;

5.2.6 The partner-LGU shall put up a refundable cash deposit to SHFC equivalent to six (6) months amortization of the CA loan as a performance warranty to cover the projects enrolled under the OCL to be paid prior to issuance of LOG;

5.2.7 The partner-LGU shall assist SHFC in its post take-out collection of monthly amortizations which will include, among others, the following activities:

1. Distribution of billing / demand letters;
2. Resolution of conflicts within the CA; and
3. Facilitation of CA filed-ejectment cases against delinquent member-beneficiaries.

It shall also assist the CAs in the individualization of community loans and titles consistent with the existing SHFC CMP guidelines; and

5.2.8 Whenever necessary, the partner-LGU shall assist the CA in finding a substitute MB from the tagging and census list who shall assume the obligation of the defaulting MB. For this purpose, the certification issued by the CA regarding replacement of defaulting MB or substitution shall be endorsed and submitted by the partner-LGU to SHFC.

5.3 Role of the CMP Mobilizer

5.3.1 LGU-accredited NGOs and POs shall act as its local partner/CMP Mobilizer and perform pre-take-out functions;

5.3.2 As a local partner/CMP Mobilizer, NGO/PO shall assist the partner-LGU in the community organization stage of the CA up to whatever stage the partner-LGU may deem necessary.

5.4 Role of the CA

5.4.1 The CA, composed of the local informal settlers, shall be the program beneficiaries and may avail of a CA loan with SHFC, through its partner-LGU;

5.4.2 The CA, with the assistance of the partner-LGU, shall be responsible in maintaining itself as a viable organization and instilling financial discipline among its members by setting up a savings account to be utilized in defraying pre-take-out and post take-out expenses;

5.4.3 The CA, with the assistance of the partner-LGU, shall be responsible for collecting the monthly amortizations from its MBs and has the duty of remitting the aggregate amount to SHFC or its accredited collecting bank supported with an abstract of collection;

5.4.4 The CA shall assume and pay all collection related penalties of the association and shall be responsible in replacing defaulting MBs in coordination with its partner-LGU or its designated local housing partner. To effect such replacement, the CA shall issue a certification under oath that the substitution came from the tagging and census list provided by the partner-LGU; and

5.4.5 The CA, with the assistance of the partner-LGU, shall be responsible for the payment of advance payment equivalent to three (3) months amortization of the CA loan to be paid prior to loan release. This payment may be applied to the CA loan in case of default.

6. LOAN AMOUNT/ INTEREST RATE/ LOAN TERM/ REPAYMENT PERIOD

6.1 LOAN AMOUNT

The CA loan drawn against the OCL of the partner-LGU shall be equivalent to seventy-five percent (75%) for 1st to 4th class cities or ninety percent (90%) for 5th or 6th class cities and municipalities of the total project cost as defined in Section 5.1.5.

6.2 INTEREST RATE/LOAN TERM/REPAYMENT PERIOD

6.2.1 The CA loan shall bear an interest rate of six percent (6%) per annum payable in equal monthly amortizations for a maximum period of twenty-five (25) years; and

6.2.2 Upon individualization of the loan based on the approved subdivision plan, the individual loans of the MBs shall be adjusted, if necessary, in accordance with their respective approved technical descriptions. In no case shall the MBs be more than 60 years old at the time of individualization.

7. INCENTIVES

7.1 FOR PARTNER-LGUS

The partner-LGU shall be entitled to 1/6 of actual amount of interest collected from the CA monthly loan amortization as incentive for collection services rendered if the Collection Efficiency Rating (CER) of the project reaches ninety to one hundred percent (90-100%) rating, provided further that they have assisted SHFC in its collection campaign as defined in Section 5.2.7.

The 1/6 interest incentive shall however be released only after the issuance of post-audit clearances from SHFC.

7.2 FOR LGU-ACCREDITED CMP MOBILIZERS

The LGU-accredited CMP mobilizers shall be entitled to two percent (2%) of the loan, payable as follows:

1. One percent (1%) upon take-out of community loan; and
2. One percent (1%) upon completion of post-audit activity on the project.

8. DOCUMENTARY REQUIREMENTS FOR ACCREDITATION OF ELIGIBLE PARTNER CITIES/MUNICIPALITIES

8.1 Filled up Pro-forma Application Form;

8.2 An updated inventory of local housing backlog;

8.3 Municipal/City Council Resolution for the creation of a Local Housing Board (LHB) with equitable multi-sectoral representation that must have a NGO/PO representative involved in housing and urban development;

8.4 Municipal/City Council approved organizational structure and personnel complement of the unit / department in-charge of socialized housing or other housing programs;

8.5 Municipal/City Council Resolution authorizing the Local Chief Executive to make a refundable cash deposit equivalent to six (6) months amortization of CA loan in favor of SHFC as performance warranty for the project/s to be enrolled under the OCL as well as authorizing the said Local Chief Executive to sign, negotiate and transact with SHFC and other LCMP partners to fully operationalize and implement LCMP in the locality;

8.6 Municipal/City Council Resolution specifying the list of priority projects together with its respective funding allocations;

8.7 Project Profile of projects to be enrolled including:

1. Appraisal Report; and
2. Masterlist of Beneficiaries.

8.8 Municipal/City approved Ordinance indicating the procedure and criteria for accreditation of CMP Mobilizers.

If available, the following documents shall also be submitted:

8.9 An updated Comprehensive Land Use Plan (CLUP) and Comprehensive Shelter Plan (CSP) approved by their respective LHB;

8.10 Municipal/City Council ratified Annual Investment Plan (AIP) indicating the prioritized LCMP project/s for the year and the approved regular budget allocation for housing; and

8.11 Commission on Audit (COA) Audited Financial Statements for the past three (3) years.

9. ACCREDITATION AND GRANTING OF OCL TO PARTNER- LGU

9.1 SHFC shall evaluate the submitted documents under Section 8 as to completeness and authenticity.

9.2 To ensure the viability of the project, SHFC shall conduct a background investigation with regard to the occupancy of the MBs. It shall also validate the LGU appraisal of the project. Both activities shall be made prior to accreditation and granting of OCL to the prospective Partner-LGU.

9.3 SHFC shall present a report regarding the results of the evaluation for approval by the Credit Committee of SHFC.

9.4 Upon accreditation and approval of the OCL, a MOA shall be executed between SHFC and the partner-LGU (Section 5.2.2).

10. RELEASE OF LOAN PROCEEDS

After the partner-LGU completes the full LCMP processing cycle for each project, it shall submit all of the loan documents required under the new revised CMP guidelines to SHFC in three (3) sets including a certification from the Landowner that he/she has received full payment of the twenty-five percent (25%) for 1st to 4th class cities or ten percent (10%) (for 5th or 6th class cities and municipalities) partner-LGU participation of the project (for privately-owned land). The partner-LGU shall likewise include its warranty on the project stating the following:

10.1 Warranty issued by the partner- LGU

10.1.1 The CA is a bonafide association and its acts are the voluntary acts of the members for the purpose of acquiring and keeping the property for themselves; and that the CA MBs are the rightful occupants of the property and are aware of their obligations under the CMP;

10.1.2 The MBs have not availed of any government housing program;

10.1.3 The physical existence of the identified project/s has been established; The TCT is authentic and is free from liens and encumbrances; and the registered owner, for privately owned property, is still living; and

10.1.4 Any violation of any warranty shall be a ground for SHFC to impose any or all of the penalties provided under Section 11 thereof, without prejudice to resort to other remedies as provided for by law.

10.2 Processing Time

SHFC's processing time for the release of loan proceeds shall not exceed thirty (30) calendar days from receipt of the complete set of LCMP documents from the partner-LGU.

11. OTHER PROVISION:

Penalties

If major findings are discovered during the post-audit activity by the operating units, SHFC may resort to any or all of the following courses of action:

1. Call on the partner-LGU's security/guaranty deposit; and/or
2. Suspend the OCL granted to the partner-LGU; and/or
3. Suspend the release of interest incentives under Section 7.

The above sanctions enumerated shall remain in place until such time that the major findings have been fully rectified by the partner-LGU.

This Circular supersedes Corporate Circular LCMP-001 and shall take effect immediately.

MA. ANA R. OLIVEROS
President