



SOCIAL HOUSING FINANCE CORPORATION
a subsidiary of National Home Mortgage Finance Corporation

CORPORATE CIRCULAR CMP NO. 003

September 01, 2006

Series of 2006

TO : ALL CMP ORIGINATORS

**SUBJECT : COLLECTION EFFICIENCY RATING (CER)
AND OTHER PERFORMANCE INDICATORS**

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Pursuant to Board Resolution No. 41 adopted by the SHFC Board of Directors on June 29, 2006, the following guidelines in the computation of the collection efficiency rating (CER) of CMP Originators are hereby adopted. The CER performance shall be the major basis for the accreditation of Originators and/or enrollment of projects under the Community Mortgage Program (CMP).

I. FORMULA

The formula shall be the ratio of year-to-date collection over year-to-date billing (excluding penalties), where the year-to-date collections and year-to-date billing shall be the last twelve (12) months record of collections and billings respectively:

$$\frac{\text{Year-to-date Collection}}{\text{Year-to-date Billing}} = \% \text{ (CER)}$$

However, in cases where the resulting CER were unduly affected by the lump sum remittances of collections in a given year, the above formula shall be counterchecked using the following computation, net of penalties.

$$\frac{\text{Cumulative Collection}}{\text{Cumulative Billing}} = \% \text{ (CER)}$$

II. EXCLUSIONS

The following accounts are to be excluded in the computation of the over-all CER of an originator:

1. Items-in-Litigation and accounts referred to Legal except those in the year subject of computation;
2. Projects with cases already filed in court;
3. Foreclosed properties with Certificate of Sale (COS) and classified as acquired assets by SHFC; and
4. Projects with age of five (5) years or more from take-out date and/or with individualized mother TCT, whichever comes first.

III. CER BENCHMARK

The acceptable CER for CMP Originators effective **October 01, 2006** shall be at least **75%**, to be further raised to **80% starting January 02, 2007**. However, the first project of a new Originator should post at least ninety percent (90%) CER during the first year after take-out in order that the accreditation of new projects by that Originator may be considered.

IV. HOLDING / RETENTION PERIOD

Pursuant to the provisions of the Origination Agreement, the Originator shall be responsible for their undertakings, roles, duties and obligations with regard to their originated projects for a "holding period" of **five (5) years** or until the mother titles of the community associations are individualized, whichever comes first. Provided further, that the community associations with individualized titles prior to take-out shall still be monitored and evaluated as part of the Originator's collection performance within the holding period of five (5) years from take-out date.

V. CASH DEPOSIT

The required cash deposit to SHFC shall be equivalent to **six (6) months amortization** for new Originators and **two (2) months amortization** for old Originators on a per project basis prior to take-out. The above-cited cash deposits shall be applied to the community association's account once the CER falls below **80%** but in no case such application be made earlier than six (6) months from take-out date.

VI. TRAINING

The Originators should be actively involved in the training of members and officers of the CAs in the discharge of their duties such as ledgering, individualization procedures, substitution of Member-Beneficiaries (MBs) and compliance with reportorial requirements of government regulatory agencies.

VII. OTHER PERFORMANCE INDICATORS

The following measures of performance using a point system shall also be used in evaluating the Originator:

1. Number of years of actual and active involvement in the program;
2. Number of projects enrolled versus projects approved/denied or referred to legal;
3. Number of beneficiaries who benefited from the program; and
4. Total number of projects taken-out.

VII. BORDERLINE CERs

In case of borderline CERs, the Originators shall be required to submit a Time Bound Collection Action Plan / Strategies with pre-determined timelines to meet the target CERs, subject to evaluation by SHFC every **three (3) months** after the submission of the action plan.

These guidelines shall be effective starting **September 01, 2006** and supersede or revoke other circulars and issuances inconsistent herewith.


ATTY. FERMIN T. ARZAGA
President