



# SOCIAL HOUSING FINANCE CORPORATION

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

Corporate Circular No. **16 - 046**

TO : **ALL CMP BORROWERS / MOBILIZERS / STAKEHOLDERS  
ALL HDH BORROWERS / CSO PARTNERS /  
STAKEHOLDERS**

SUBJECT : **AMENDMENTS TO THE GUIDELINES ON SUBSTITUTION  
OF MEMBER BENEFICIARIES**

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In the interest of service, the following amended guidelines shall govern the substitution of member beneficiaries (MBs) for the Community Mortgage Program (CMP) and High Density Housing (HDH) program of Social Housing Finance Corporation (SHFC). These amended guidelines are hereby promulgated to improve and facilitate the substitution process to ensure that housing programs of the corporation reach the intended beneficiaries. Any ambiguity in the implementation of these amended guidelines should be resolved in favor of SHFC's existing mandate of providing housing finance to the poor and homeless.

These rules shall apply to substitution of MBs which shall be initiated by the Community Association (CA) or SHFC.

## I. COVERAGE/GROUNDS FOR SUBSTITUTION

The Masterlist of MBs submitted as part of the CMP loan application is deemed final and may not be amended during the term of the loan or extension thereof *except* when there is a valid substitution of the MB due to the following grounds:

1. MB has executed a notarized Voluntary Waiver of Rights on his/her allocated lot/ unit;
2. MB is an absentee MB (*absentee* is defined as failure to occupy the assigned lot/ unit without justifiable reason within one [1] year from take-out (in case of CMP projects), or within thirty (30) days from project completion with installed utilities (in case of HDH projects);
3. Existence of a final and executory decision or order from the courts or quasi-judicial body directing the MB to be substituted;
4. Upon death of an MB and his/her Mortgage Redemption Insurance (MRI) proceeds is insufficient to cover arrears in loan amortization; and
5. When any of the following occurs constituting an event of default under the Lease Purchase Agreement or Lease Agreement signed by the MB and the CA with the community:

- a.) Failure of the MB to pay the equivalent of at least three (3) consecutive monthly rentals (referred herein as “default in payment”);
- b.) Misrepresentation or fraud committed by the MB in securing the lease;
- c.) Any representation, statement, warranty made by the MB in the Lease Purchase Agreement or Lease Agreement, or if any document executed by the MB in connection with the lease shall be proven to be untrue or incorrect in any material respect;
- d.) The MB violates the policies, rules, regulations and guidelines of the CA (provided the same is not illegal or contrary to the guidelines of SHFC) and/or SHFC, or existing laws or ordinances of the locality on the occupancy and use of the leased unit and other terms and conditions of the Lease Purchase Agreement or Lease Agreement.

For CMP projects, unjustified non-payment of membership dues shall be considered a violation that can be a ground for substitution.

- e.) The MB subdivides, leases, sells, transfers, assigns or otherwise disposes of the awarded property without the prior written consent of SHFC, or commits any act which may impair directly or indirectly the value of the awarded property.

## **II. ELIGIBILITY OF SUBSTITUTES**

- A. To become eligible, all substitutes must comply with the following requirements:
  - a. Eighteen (18) years of age but not more than sixty (60) years old except where the rules of succession apply;
  - b. Filipino Citizen;
  - c. Not a real property owner or co-owner;
  - d. Not a beneficiary of any socialized housing project of the government; and
  - e. Not a professional squatter as defined in Republic Act No. 7279.
  - f. For HDH projects, in addition to the foregoing requirements, all substitutes must be living along waterways and other danger zones as endorsed by the CA and certified by the Department of Interior and Local Government (DILG)
- B. The order of priority of the eligible substitute shall be as follows:
  - 1. Sharers;



Substitute must submit a certification from the CA attesting that he/she is a sharer;

2. Renters (Boarders);

Substitute must submit a certification from the CA attesting that he/she is a renter (boarder);

3. Non-occupant relative of the MB (*relatives* is defined as those family members falling within the 3<sup>rd</sup> degree of consanguinity which are limited to grandparents, parents, children, grandchildren, siblings, aunts and uncles, niece/nephew and great grandchild of the MB);

Substitute must submit an affidavit attesting that he/she is a relative of the MB;

4. For CMP: Informal settler families living in the same barangay;

Substitute must submit a certification from the Barangay Captain that he/she is an ISF living in the said barangay.

5. For CMP/ HDH: Informal settler families contained in the priority list of the Local Government Unit (LGU).

Substitute must submit a certification from the appropriate office (such as the Urban Poor Affairs Office) that he/she is an ISF living in the LGU.

All substitutes must undergo an orientation of CMP/HDH guidelines and its rules, regulations and the corresponding duties and responsibilities as an MB of the program.

### III. SUBSTITUTION PROCESS AND DOCUMENTARY REQUIREMENTS

Pursuant to CMP Circular CMP No. 017, Series of 2011, and other pertinent rules and regulations, the following documents shall be submitted by the CA / substitute to SHFC to initiate the substitution process, to wit:

A. MB has executed a notarized Voluntary Waiver of Rights on his/her allocated lot/ unit:

1. One (1) Government issued ID;
2. Filled up substitution form by the substitute attesting that he/she has all of the qualifications and none of the disqualifications of the program;
3. Amended MBLA Form;

4. Original copy of the notarized CA's Board Resolution recommending the substitution and attesting that he/she has all of the qualifications and none of the disqualifications of the program and as to the eligibility of the proposed substitute; and
5. Original copy of the notarized Voluntary Waiver of Rights signed by the MB in the Lease Purchase Agreement or Lease Agreement.

B. MB is an absentee MB:

1. One (1) Government issued ID;
2. Filled up substitution form by the substitute attesting that he/she has all the qualifications and none of the disqualifications of the program;
3. Amended MBLA Form;
4. Original copy of the notarized CA's Board Resolution recommending the substitution and attesting that he/she has all the qualifications and none of the disqualifications of the program and as to the eligibility of the proposed substitute; and
5. Affidavit from three (3) disinterested persons attesting to the absence of the MB.

The substitution under this ground shall be processed upon SHFC's validation that the MB is an absentee MB.

C. Existence of a final and executory decision or order from the courts or quasi-judicial body directing the MB to be substituted:

1. One (1) Government issued ID;
2. Filled up substitution form by the substitute attesting that he/she has all the qualifications and none of the disqualifications of the program;
3. Amended MBLA Form;
4. Original or Certified True Copy of the final and executory decision or order directing the substitution.

D. Upon death of an MB and his Mortgage Redemption Insurance (MRI) proceeds is insufficient to cover arrears in loan amortization, the heirs shall substitute and assume the balance of said arrears. However, upon failure to pay equivalent to three months amortizations under a new term of payment, the heirs shall be declared in default of payment under I, 5 (a):

1. One (1) Government issued ID;

2. Filled up substitution form by the substitute attesting that he/she has all the qualifications and none of the disqualifications of the program;
3. Amended MBLA Form;
4. Original copy of the notarized CA's Board Resolution recommending the substitution and attesting that he/she has all of the qualifications and none of the disqualifications of the program and as to the eligibility of the proposed substitute;
5. Death Certificate;
6. Extrajudicial Settlement of Estate or Affidavit of Adjudication; and
7. Affidavit of Publication.

E. When there is an event of default:

*For event of default under I (5) (a) [default in payment for 3 months]:*

1. One (1) Government issued ID;
2. Filled up substitution form by the substitute attesting that he/she has all the qualifications and none of the disqualifications of the program;
3. Amended MBLA Form;
4. Original copy of the notarized CA's Board Resolution recommending the substitution and attesting that he/she has all of the qualifications and none of the disqualifications of the program and as to the eligibility of the proposed substitute; and
5. a. In case there is an existing/ active CA:

One (1) demand letter sent by the CA and one (1) demand letter sent by SHFC by registered mail with return card or the certificate of service by the postmaster.

In the absence of proof of receipt by the MB, the demand letter from the CA shall be posted in three (3) conspicuous public places (such as the CA bulletin board, barangay hall, and city/ municipality hall where CA is located) with an affidavit of posting executed by CA officers or SHFC account officer.

b. In case of inactive CA:

Two (2) demand letters sent by SHFC thru registered mail together with the return card or the certificate of service by the postmaster.



In the absence of proof of receipt by the MB, the demand letter from SHFC shall be posted in three (3) conspicuous public places (such as the CA bulletin board, barangay hall, and city/ municipality hall where CA is located) with an affidavit of posting executed by SHFC account officer.

*For events of default under I (5) (b), (c), (d), and (e):*

1. One (1) Government issued ID;
2. Filled up substitution form by the substitute attesting that he/she has all the qualifications and none of the disqualifications of the program;
3. Amended MBLA Form;
4. Original copy of the notarized CA's Board Resolution recommending the substitution and attesting that he/she has all of the qualifications and none of the disqualifications of the program and as to the eligibility of the proposed substitute; and
5. Affidavit stating the factual circumstances surrounding the event of default under (b), (c), (d), or (e).

#### **IV. PROCESS AND APPROVAL OF THE SUBSTITUTION**

- A. SHFC shall conduct the necessary due diligence on the application through the evaluation of documents, checking for double availment, verification of information or data submitted to SHFC, sending of confirmation letters or posting in public places, conduct of site visit, and/or such other means that will enable SHFC to validate the facts on the ground. The results or findings of the SHFC account officer shall be contained in a memo report containing his/her recommendation on whether to approve or disapprove the substitution.
- B. The Group Head concerned shall approve on all applications for substitution.
- C. After approval, all substitutes are required to update the account of the MB within thirty (30) days upon notice of SHFC's approval of the substitution either thru a one (1) time cash payment or under any of the existing updating schemes of the corporation. Failure to update the account shall render the approval of substitution null and void and of no effect.
- D. After payment by the substitute, SHFC shall amend the MBLA, accept the new Lease Purchase Agreement of the substitute and notify the CA, the substitute and the original MB of the approval of the substitution.

For HDH projects, before approval of the Group Head, the application for substitution shall be forwarded to the Department of Interior and Local Government (DILG) for the issuance of their Certificate of Eligibility.

#### **V. REMEDIES OF SHFC**


Without prejudice to any of the foregoing, SHFC reserves the right to exercise any and all rights assigned to it under the Lease Purchase Agreement or Lease Agreement. Upon notice to the CA and the MB, SHFC may, in its discretion, substitute an MB that is found to have violated existing laws, or SHFC rules or guidelines.


In case there is an existing active CA but the officers of the CA unjustly refuses to issue the needed Board Resolution recommending the substitution or unjustly refuses to issue the demand letter in cases of default in payment, SHFC may, in its discretion, dispense with these requirements.

#### **VI. REPEALING CLAUSE**

All previous Corporate Circulars and related issuances inconsistent with any provisions of this Circular are hereby repealed/modified accordingly.

This corporate circular shall take effect after fifteen (15) days from publication.

  
**MA. ANA R. OLIVEROS**  
President

  
Nov. 09, 2016