

The HGC Charter  
**ABOT KAYA PABAHAY FUND**

**Revised Implementing Guidelines of the Cash Flow Guarantee System**  
**Pursuant to Section 4(c) of Republic Act 6846**  
**known as the Social Housing Support Fund Act**  
**THE HOME GUARANTY CORPORATION**  
**hereby adopts the following Revised Implementing Rules and Regulations.**

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**BACKGROUND**

The Abot Kaya Pabahay Fund (FUND), otherwise known as the Social Housing Support Fund Act, was created under Republic Act No. 6846 on January 24, 1990, in support to the National Shelter Program (NSP) of the government to implement a continuing program on social housing that shall make available to low income families affordable houses and/or lots by establishing a financial support system that shall encourage the active participation of the private sector.

Under the said law, the Home Guaranty Corporation (HGC) is mandated to administer the Cash Flow Guaranty component of the FUND, while the other two components - the amortization support and developmental financing are under the trusteeship of National Home Mortgage Finance Corporation (NHMFC).

The FUND has a budgetary appropriation amounting to P 2.5 Billion. Under R.A. No. 7835, the scope and usage of the Abot Kaya Pabahay Fund were expanded and correspondingly, its budgetary allocation was increased from P2.5 to P5.5 Billion.

The operations of the Cash Flow Guaranty Program is being handled by the Cash Flow Guaranty Department, one of the departments under the HGC Guaranty and Credit Insurance Group, whose personnel are hGC regular employees.

**OBJECTIVE OF THE CASH FLOW GUARANTY**

The primary objective of the Cash Flow Guaranty System is to ensure a viable and timely cashflow on housing loans and eliminate risks to the Funding Agencies namely the Social Security System (SSS), Government Service Insurance System (GSIS), and Home Development Mutual Fund (HDMF) or their accredited financial institutions that provide financing to socialized housing projects.

**GENERAL PROVISIONS**

**FUNDING AGENCIES ELIGIBLE FOR COVERAGE**

1. Social Security System
2. Government Service Insurance System

3. Home Development Mutual Fund
4. Financial Institutions duly accredited by the foregoing entities.

#### **ACCOUNTS ELIGIBLE FOR COVERAGE**

1. Mortgages with loan packages of P225,000.00 and below bearing an interest rate not exceeding 12% per annum for the following purposes:
  - Purchase of Lot;
  - Purchase of an existing house and lot;
  - Home Improvement.
2. Contracts To Sell (CTS) with loan packages of P225,000.00 and below bearing an interest rate not exceeding 12% per annum which have been seasoned for 24 months and for the purposes mentioned above.

#### **GUARANTY BENEFITS**

The guaranty benefits shall cover the following:

1. Outstanding principal balance
2. Unpaid interest as of date of default
3. Foreclosure expenses (for Mortgages only)

#### **MECHANICS OF ENROLLMENT TO THE FUND**

Eligible mortgages and Contracts to Sell may be enrolled in accordance with the following procedures:

1. Written endorsement of the mortgages and CTS originated by the Funding Agencies or their accredited financial institutions within 15 days from take-out, together with the Certificate of Loan Eligibility of the buyers, appraisal report of the property and Certificate of Acceptance and Occupancy (CAO) and in accordance with the Enrollment Form (Form1) which shall be accomplished by the Funding Agencies or their duly accredited financial institutions.
2. The enrolled mortgages and CTS, should contain details such as amount of loan or purchase price, the date of execution of loans, mortgages/contracts to sell, loan term, default provision, foreclosure and cancellation of contracts and assignability of the rights under the mortgages and CTS.
3. Issuance of a Warranty (Form 2) by the Funding Agencies or their accredited financial institutions containing the representations and undertakings required of the Funding Agencies or their accredited financing institutions under Section 5 hereof.

4. Upon enrollment, the FUND shall issue a Promissory Note corresponding to the value of the enrolled loans, mortgages and CTS.
5. The FUND shall conduct post audit of the enrolled accounts within three (3) months from date of enrollment. Any misrepresentation in the Enrollment Form, or in any of the mortgage or sale documents, and breach of the warranties stated in Section 5 shall be grounds for cancellation of the enrolled accounts.
6. The Funding Agency or their accredited financial institutions shall submit on a regular basis, statement of outstanding balances on the anniversary date of each of the enrolled accounts.

#### **WARRANTIES /REPRESENTATIONS OF THE FUNDING AGENCIES OR THEIR ACCREDITED FINANCIAL INSTITUTIONS**

For purposes of enrollment of the loans, mortgages or CTS, the Funding Agency or their accredited financial institutions shall warrant and represent to the FUND that:

1. The buyer under CTS/mortgage is an eligible member of the funding agency under the existing housing loan guidelines, programs of the Funding Agencies or their accredited financial institutions;
2. The Certificate of Loan Eligibility is valid and effective at the time of enrollment.
3. The corresponding loan documents of the mortgages and CTS, have been duly executed in accordance with the terms and conditions of the Funding Agency's housing loan program, and that it has custody and physical possession of all the documents pertinent to the loans, mortgages and CTS being enrolled to the FUND
4. The buyer under the CTS/mortgage is in actual possession of the housing unit
5. The necessary evaluation of the loans, mortgages, CTS with respect to the loan to value ratios, appraisal, title verification and credit/financial capacity and insurance coverage of the buyer/mortgagor to pay has been duly undertaken
6. The accounts enrolled are on current status at the time of enrollment. Current status means that accounts have not incurred any arrearages from date of take-out up to the time of enrollment.
7. The CTS accounts shall have undergone a 24-month credit seasoning period.

8. The properties subject of the mortgages or CTS do not exceed P180,000.00, appraised in accordance with appraisal standards acceptable to HGC and that the Loan to Collateral Ratio (LCR) shall be 100% for all accounts.
9. The deed of real estate mortgage/deed of assignment of rights by the developer in favor of the funding agency is duly registered and annotated at the transfer certificate of title, covering the property subject of mortgage/ CTS;
10. The mortgaged properties/properties subject of the CTS are not located in lahar or flood prone area as certified by appropriate government authorities.
11. The borrowers have been informed that their loans are covered by the Cash Flow Guaranty of the Abot Kaya Pabahay Fund with notices duly acknowledged by the mortgagor/buyer.

## **ENTITLEMENT TO THE CASH FLOW BENEFIT**

### **1. FOR MORTGAGES**

Upon default, foreclosure of mortgage and assignment of the mortgage rights by the Funding Agencies or their accredited financial institutions in favor of the FUND, the Funding Agency shall be entitled to the cash flow guaranty benefits.

### **2. FOR CTS**

Upon default by the borrower in the payment of three (3) consecutive monthly installments, and assignment and conveyance of all the rights and interests under the CTS and the properties subject of CTS in favor of the FUND, the Funding Agency or their accredited financial institutions shall be entitled to the Cash Flow Guaranty benefit.

## **CALL ON THE GUARANTY**

### **1. FOR MORTGAGE ACCOUNTS**

- 1.1. Upon default of the mortgagee, the Funding Agency or their accredited financial institutions shall foreclose the mortgage and file a Notice of Call on the Guarantee within eighteen (18) months from date of default and submit the duplicate/photocopies of the following documents to the FUND:

- 1.1.a. Extrajudicial foreclosure documents, such as:  
Application for Extrajudicial foreclosure; Computation of Bid price, Notice of Sheriff's Sale, Certificate of Sale duly annotated in the title to the foreclosed property
- 1.1.b. Loan & Mortgage Agreement and Promissory Note executed by the mortgagor
- 1.1.c. Transfer Certificate of Title (TCT) with the annotation of the mortgage

- 1.1.d. Demand Letters sent to mortgagor
- 1.1.e. Loan Ledger of mortgagor
- 1.1.f. Statement of Account (net of Mortgage Administrative Fee (MAF)/ Mortgage Origination Fee (MOF))
- 1.1.g. Tax declaration
- 1.1.h. Housing Loan Application
- 1.1.i. Lot plan
- 1.1.j. Computation of Outstanding Obligation /Arrears
- 1.1.k. Certificate of Completion and Acceptance
- 1.1.l. Funder's Mortgage Review Sheet
- 1.1.m. Insurance Policy
- 1.1.n. Appraisal report on the mortgaged property
- 1.1.o. Other relevant documents evidencing the indebtedness of the borrower

1.2. The FUND shall evaluate the Call within 30 days from Notice of Call and advise the Funding Agency or their accredited financial institutions of the approval or denial of the call.

1.3. In case of denial of the call, the FUND shall specifically state the grounds for such denial, and return all the supporting loan documents to the Funding Agency or their accredited financial institutions.

## 2. FOR CONTRACTS TO SELL

3. Upon default of buyers under Contract(s) to Sell, the Funding Agency or their accredited financial institutions shall file a Notice of Call within 30 days from date of default and submit with the Notice of Call the following call documents to the FUND:

- 1.1. Copy of CTS
- 1.2. Copy of Deed of Assignment of Rights between the developer and the Funding Agency or their accredited financial institutions
- 1.3. Photocopies of subject TCT(s) with annotation of the Deed of Assignment of Rights on the CTS by the developer in favor of the Funding Agency
- 1.4. Tax declaration(s)

- 1.5. Statement of Account
  - 1.6. Appraisal report
  - 1.7. House plans, specifications and bill of materials
  - 1.8. Vicinity map / location plan
  - 1.9. Account ledger / statement of application of payments
  - 1.10. Deed of Assignment and Conveyance by the Funding Agency in favor of the FUND, of the rights under the CTS, including the property
  - 1.11. Copies of notices/demand letters sent to borrower
  - 1.12. Insurance Policy
2. The FUND shall evaluate the Call within 30 days from Notice of Call and advise the Funding Agency or their accredited financial institutions of the approval or denial of the call.
3. In case of denial of the call, the FUND shall specifically state the grounds for such denial, and return all the supporting loan documents to the Funding Agency or their accredited financial institutions.

#### **PAYMENT OF GUARANTY CALL**

4. DEFAULTED MORTGAGES
  - 4.1. Copy of Certificate of Sale
  - 4.2. Transfer Certificate of Title (TCT) with annotation of the Certificate of Sale.
  - 4.3. Tax Clearance/Certificate Authorizing Registration (CAR)
  - 4.4. Tax Declaration
  - 4.5. Updated tax certificates and official receipts covering the property which shall be certified as true copies by the issuing funding agency and submitted prior to call payment.
  - 4.6. Funder's Mortgage Review Sheet
  - 4.7. Statement of Account - net of MOF/MAF
  - 4.8. Lot Plan/House Specification.
  - 4.9. Insurance Policy

Within 30 days from submission of original documents, the FUND shall pay 80% of the Outstanding principal balance plus interest as of date of default and 100% foreclosure expenses.
5. DEFAULTED CONTRACTS TO SELL

Within 60 days from date of receipt of notice of approval of the call, the following original documents must be submitted to the FUND:

- 5.1. Deed of Assignment and Conveyance of all rights and interests under the CTS and the subject property, by the Funding Agency in favor of the FUND duly annotated at the back of the corresponding TCT
- 5.2. Owner's Transfer Certificate of Title, with annotation of the Deed of Assignment of Rights and Conveyance under the CTS, and the property, in favor of the FUND under the CTS.
- 5.3. Updated tax certificates and official receipts covering the property.

Within 30 days from submission of original documents, the FUND shall pay 80% of the outstanding principal balance plus interest as of date of default.

#### **GROUND FOR DENIAL OF CALL**

6. Violation of any one of the warranties specified in Section 5.
7. Failure to make or file a notice of call on the defaulted mortgage/CTS within the prescribed period from date of default;

#### **GROUND FOR CANCELLATION OF APPROVED CALL**

Failure of the Funding Agency or their accredited financial institutions to submit the required documents within 60 days from receipt of notice of approval of call.

If the call is denied or cancelled, the Funding Agency or their accredited financial institutions shall be immediately notified in writing and all supporting documents shall be returned to the Funding Agency or their accredited financial institutions.

#### **ADMINISTRATION/ DISPOSITION OF CALLED ACCOUNTS**

8. After payment of guaranty call, loan administration of the called account shall be transferred to the FUND upon the Funding Agency's assignment of the foreclosed property or Assignment and Conveyance of rights and interest to the property under the CTS.
9. During the one year redemption period from the date of registration of the Certificate of Sale, the borrower may redeem the property from the FUND subject to the payment of the redemption price which shall consist of the following:

- 1.1. Auction sale price, which is the amount indicated on the Certificate of Sale plus interest.
  - 1.2. Real Estate taxes advanced by the FUND.
  - 1.3. Interest of 12% per annum
  - 1.4. Foreclosure expenses
  - 1.5. Other capitalized cost such as Fire Insurance, Security Services, and other Miscellaneous Expenses upon expiration of the redemption period of the property shall be consolidated in the name of the FUND and the property shall be disposed of as an acquired asset of the FUND.
2. The FUND, may at its option, allow the reinstatement/ restructuring of defaulted CTS, under terms and conditions of HGC and prescribed rules of law.
3. Defaulted CTS shall be cancelled in accordance with the provisions of the Contract and existing laws

#### **RECOVERY OF FUND EXPOSURE**

4. Upon disposition of the properties subject of defaulted mortgage/CTS accounts, the proceeds of the disposition shall be credited in the following order of preference:
  - 1.1. Payment of the FUND guarantee exposure/call payment, realty taxes, fire insurance premium, security and other incidental expenses necessary for the proper administration of the property.
  - 1.2. Payment of the 20% balance of the Total Outstanding Obligation to the Funding agency . The excess, if any shall be retained by the FUND. However, if the net proceeds of the disposition after recovery of the FUND guarantee exposure would be insufficient to cover the 20% balance due to the Funding Agency, the Funding Agency shall recover only up to the extent of the excess in the net proceeds.
2. For CTS accounts, the balance of 20% due the Funding Agency shall be net of the cash surrender value/ refund of the payments made to the buyer in accordance with Republic Act 6552 (Maceda Law), as the case maybe

#### **APPLICABILITY CLAUSE**



These Rules shall have prospective applicability and shall apply only to accounts enrolled after effectivity of the Rules approved on July 27, 2000 by the HGC Board; provided, however, that for accounts with notice of approval for take-out by the Funder or their accredited financial institutions as of December 30, 1999, the warranties under sections 5.7 and 5.11 shall not apply.

**SEPARABILITY CLAUSE**

These Rules shall take effect after 15 days from its publication in two newspapers of general circulation.