

Pag-IBIG FUND
Corporate Headquarters
Petron MegaPlaza
358 Sen. Gil Puyat Ave.,
Makati City

CIRCULAR NO. 312

TO : **ALL CONCERNED**

SUBJECT : **GUIDELINES ON THE PAG-IBIG FUND AFFORDABLE HOUSING PROGRAM**

Pursuant to the approval of the Senior Management Committee in its meeting held last 21 May 2012, the **Guidelines on the Pag-IBIG Fund Affordable Housing Program** are hereby issued:

1. COVERAGE

These guidelines shall apply to the following:

- 1.1. All accounts of eligible borrowers that will be processed and taken out beginning 1 June 2012 and onwards with loan value up to P400,000. Take out date shall refer to the DV/check date.
- 1.2. All accounts of eligible borrowers that will be processed and taken out beginning 2 July 2012 and onwards with loan value up to P750,000.

2. LOAN PURPOSE

The Pag-IBIG housing loan may be used to finance any one of the following:

- 2.1 Purchase of a fully developed lot or adjoining lots not exceeding one thousand square meters (1,000 sq. m.), which should be within a residential area;
- 2.2 Purchase of a residential house and lot, townhouse or condominium unit, which may be:
 - 2.2.1 Old or brand new;
 - 2.2.2 A property mortgaged with the Fund; or,
 - 2.2.3 An acquired asset;
- 2.3 Construction or completion of a residential unit on a lot owned by the member;

3. BORROWER'S ELIGIBILITY

To qualify for a housing loan under the Pag-IBIG Affordable Housing Program, a member shall satisfy the following requirements:

3.1 On Pag-IBIG Membership

- 3.1.1 Must be a member under the Pag-IBIG I Membership Program for at least twenty-four (24) months, as evidenced by the remittance of at least 24 monthly contributions at the time of loan application.
- 3.1.2 A member who has contributed for at least two (2) years shall be required to pay the upgraded contribution rates upon housing loan approval and onwards.
- 3.1.3 A new member who wishes to apply for a housing loan and remit his membership contributions in lump sum shall be required to pay the membership contribution that corresponds to the loan amount applied for to cover the 24 months membership requirement. Lump sum payment of membership contributions shall be considered a single contribution for the applicable month as of the payment date.

Similarly, a member who has existing monthly contributions that are still short of the 24 monthly membership requirement may pay his contributions for the succeeding months in lump sum based on the membership contribution that corresponds to the loan amount applied for.

For purposes of computing the lump sum contribution, the following contribution rates shall be adopted:

Membership Contribution	Loan Amount
P200	Up to P500,000
250	Over P500,000 to P600,000
300	Over P600,000 to P700,000
350	Over P700,000 to P750,000

- 3.1.4 After filing the housing loan application, the member shall still be required to continue remitting monthly contributions based on the upgraded rate. However, if the approved loan amount is less than the loan amount applied for, the member shall pay his membership contributions that correspond to the approved loan amount upon the approval of his housing loan and every month thereafter.
 - 3.1.5 For purposes of satisfying the membership requirement for housing loans, the period corresponding to the Total Accumulated Value (TAV) applied earlier to a member's outstanding loan (offsetting) shall be considered when counting the total number of monthly contributions.
 - 3.1.6 Pag-IBIG Overseas Program (POP) contributions of Overseas Filipino Workers (OFWs) who are Pag-IBIG I members shall be considered in counting the total number of contributions for availment of housing loans.
- 3.2 Has a gross monthly income not exceeding Seventeen Thousand Five Hundred Pesos (P17,500.00). Gross monthly income is herein defined as basic monthly compensation and cost of living allowance.
 - 3.3 Not more than sixty-five (65) years old at the date of loan application and must be insurable; provided further, that he is not more than seventy (70) years old at loan maturity;

- 3.4 Has the legal capacity to acquire and encumber real property;
- 3.5 Has passed satisfactory background/credit and employment/business checks of Pag-IBIG Fund;
- 3.6 Has no outstanding Pag-IBIG housing loan, either as a principal borrower or co-borrower;

However, should a co-borrower in a tacked loan signify an intention to avail of a Pag-IBIG housing loan himself, he shall be allowed to do so provided the tacked loan, as a whole, is updated and the amount proportionate to his loan entitlement has been fully paid. Hence, the co-borrower shall be released from the original obligation with the consent of the principal and the other co-borrowers, and shall be allowed to avail of his own Pag-IBIG housing loan subject to standard evaluation procedures.

- 3.7 Has no outstanding Pag-IBIG multi-purpose loan in arrears at the time of loan application. A member whose multi-purpose loan is in arrears shall be required to pay his arrearages over the counter to update his account.
- 3.8 Had no Pag-IBIG housing loan that was foreclosed, cancelled, bought back due to default, or subjected to dacion en pago, which shall include cases where the borrower is no longer interested to pursue the loan and surrenders the property. However, the Senior Management may allow such borrowers to avail of a new housing loan under certain meritorious conditions, such as but are not limited to the following:

- 3.8.1 Illness of the borrower or any of his immediate family members as certified by a government doctor together with the abstract or findings of the attending physician, if different from the certifying government doctor. The illness under consideration must be that which required the borrower to incur substantial expenses or a prolonged treatment of such illness which caused him/her, to fail in his/her obligation with the Fund and eventually resulted in the foreclosure of his REM account, cancellation of the CTS, or surrender of his/her property via dacion en pago.

- 3.8.2 Unemployment of the borrower at the time his previous housing loan was foreclosed, its CTS cancelled or the property surrendered through dacion en pago, but the said borrower has now become employed and is able to meet all other eligibility criteria.

- 3.8.3 Other similar meritorious cases that the Senior Management may consider.

4 LOAN AMOUNT

A qualified Pag-IBIG member shall be allowed to borrow an amount up to a maximum of Seven Hundred and Fifty Thousand Pesos (P750,000.00), which shall be based on the lowest of the following: the member's actual need, his loan entitlement based on gross monthly income, his loan entitlement based on capacity to pay, and the loan-to-appraisal value ratio.

4.1. Loan Entitlement Based on Gross Monthly Income

A member may borrow as much as P400,000 or P750,000, depending on his place of work and gross monthly income. To determine loan entitlement, the member must not exceed the limit for the applicable income cluster:

Details		Maximum Gross Monthly Income / Cluster Limit	
Income Clusters	Cluster 1 (NCR)	up to P15,000	Up to P17,500
	Cluster 2 (Regions)	up to P12,000	Up to P14,000
Loan Amount		Loans up to P400,000	Loans up to P750,000

4.2. Loan Entitlement Based on Capacity to Pay

4.2.1 All housing loan borrowers shall be evaluated based on their capacity to pay.

4.2.2 A member's loan entitlement shall be limited to an amount for which the monthly repayment shall not exceed thirty-five per cent (35%) of the borrower's gross monthly income for loans not exceeding P750,000.

4.2.3 For government employees who will be paying their loan amortization through salary deduction, their Net Take Home Pay must not fall below the minimum requirement as provided in the General Appropriations Act.

4.2.4 A maximum of three (3) qualified Pag-IBIG members may be tacked into a single loan; provided they are related within the second civil degree of consanguinity or affinity.

a. The aggregate personal gross income of those tacked into a single loan shall be considered in determining their capacity to pay;

b. Co-borrower/s must likewise pass the eligibility requirements provided in these guidelines. Co-borrowers shall be jointly and severally liable with the principal borrower for the loan but only to the extent of his/her loan entitlement.

c. Co-borrowers who are non-relatives shall be allowed subject to the following:

c.1. Loan shall be approved by authorized approving/signing authority (Dept. Manager III or higher;)

c.2. Co-borrower shall be co-owner of the property, *i.e.* title is in the name of principal borrower and co-borrower

4.3 Loan-to-Appraisal Value

The ratio of the loan amount to the appraisal value of the collateral shall be based on the following:

Loan Amount	Loan to Appraisal Value Ratio
Up to P400,000	100%
Over P400,000 to P750,000	90%

5. INTEREST RATE

For the first ten years of the loan, housing loans under the Pag-IBIG Affordable Housing Program of borrowers earning up to the applicable cluster limit shall be charged with the following interest rate:

Details		Maximum Gross Monthly Income / Cluster Limit	
Income Clusters	Cluster 1 (NCR)	up to P15,000	Up to P17,500
	Cluster 2 (Other Regions)	up to P12,000	Up to P14,000
Loan Amount		Loans up to P400,000	Loans up to P750,000
Interest Rate		4.5%	6.5%

At the end of the 10-year period, the interest rates shall be re-priced based on the prevailing interest rate in the Fund's pricing framework or it shall be increased by 2%, whichever is lower. The borrower shall also be given the option to choose the succeeding re-pricing period, whether it will be every three (3), five (5), ten (10) or fifteen (15) years. The base rate for succeeding re-pricing shall be the interest rate for the immediately preceding re-pricing period.

6. LOAN TERM

The loan shall be repaid at a maximum term of thirty (30) years and shall, in no case, exceed the difference between the present age and age seventy (70) of the principal borrower.

7. LOAN PAYMENT

7.1. The loan shall be paid in equal monthly amortizations in such amounts as may fully cover the principal and interest, as well as insurance premiums, over the loan period, and shall be made, whenever feasible, through salary deduction.

7.1.1. The borrower shall execute the Authority to Deduct the monthly loan amortization from his salary, and shall secure the conforme of his employer for the purpose.

7.1.2. Pag-IBIG Fund and the employer shall enter into a Collection Agreement stipulating, among others, that the deduction for the employee's Pag-IBIG housing loan shall have priority over other obligations of the same nature after all statutory deductions have been effected.

- 7.1.3. In case of salary deduction, an equivalent of one (1) month amortization shall be deducted from the loan proceeds upon loan takeout.
- 7.2. The monthly amortizations may also be paid to Pag-IBIG Fund through any of the following modes:
- 7.2.1 Post-dated checks (PDCs) issued by the borrower, co-borrower or relatives up to the first civil degree of affinity or consanguinity, initially to cover the first twelve (12) monthly amortizations. PDCs must be dated on the date that coincides with the date of loan takeout (DV/Check Date);
 - 7.2.2 Collection Servicing Agreement (CSA) with selected developers;
 - 7.2.3 Over-the-counter;
 - 7.2.4 auto debit arrangement with banks; or
 - 7.2.5 any other collection system which the Fund may implement in the future.
- 7.3 The borrower may change his mode of payment subject to the approval of the Billing and Collection Department or the Loans and Contribution Management and Recovery Division (LCMRD). However, in case a borrower altered the same from Over-the Counter (OTC) to Salary Deduction (SD) or from Post Dated Checks (PDCs) to SD, he shall be required to pay a one (1) month advance amortization. Regardless of said modification, the borrower's original due date shall be retained.
- 7.4 The first monthly amortization shall commence on the month immediately following loan takeout (DV/Check Date). The monthly payments shall be paid on the date that coincides with the date of loan takeout (DV/Check Date).
- For staggered releases, the payment of the first loan amortization shall commence on the month following the DV/Check Date of the final loan release, and every month thereafter.
- 7.5 Should the due date fall on a non-working day, the monthly payments shall be paid on the first working day after the due date.
- 7.6 Staggered payments for an amortization period shall be allowed provided the amortization is paid in full on or before the due date.
- 7.7 In case of tacked loans where a co-borrower is released from the original loan obligation, the principal borrower may request for the adjustment of his monthly amortization based on the outstanding balance of the loan, interest rate at the time of re-computation and the remaining term of the loan.
- 7.8 The borrower who fails to pay the full monthly amortization and/or other loan obligations when due shall pay a penalty of 1/20 of 1% of the amount due for every day of delay.
- 7.9 The upgraded membership contributions for loans exceeding Five Hundred Thousand Pesos (P500,000.00), net of the mandatory contributions (except in the case of individual payors / self-employed who shall be shouldering both the

EE and ER share) shall be paid together with the borrower's monthly amortization and shall be considered as contributions for the applicable month.

7.10 A borrower's monthly payments shall thus be applied according to the following order of priority:

- a) Mandatory and/or Upgraded membership contributions, if applicable
- b) Penalties
- c) Insurance premiums
- d) Interest, and
- e) Principal.

8. COLLATERAL

The loan shall be secured by collateral consisting of the same residential properties to which the loan proceeds are applied.

- 8.1. The security shall consist of a First Real Estate Mortgage (REM) on the subject properties fully covering the payment of the obligation as stipulated in the corresponding loan agreement and promissory note of the borrower.
- 8.2. Accommodation mortgages shall be allowed only for borrowers who are related up to the second civil degree of consanguinity or up to first civil degree of affinity of the principal borrower, subject to the following requirements:
 - 8.2.1 The owner shall constitute the first mortgage as accommodation mortgagor, to secure the borrower's loan obligation or give the latter the special power to do so; and
 - 8.2.2 The borrower shall undertake and sign as co-mortgagor, to fully cover the residential unit and improvements thereon.
- 8.3. The property subject of the loan shall be appraised by Pag-IBIG Fund.
- 8.4. The property must be covered by an Original Certificate of Title (OCT), Transfer Certificate of Title (TCT) or Condominium Certificate of Title (CCT) issued by the Register of Deeds, free from all liens and encumbrances, except those that are subject of an heirs bond under Section 4 Rule 74 of the Rules of Court; and must be registered in the name of any one or more of the borrowers except accommodation mortgages. In case of Third Party REM or accommodation mortgage, the corresponding title shall be registered in the name of the landowner.

Properties that are subject of an heirs' lien under Section 4 Rule 74 of the Rules of Court may be accepted by Pag-IBIG Fund as security for the loan provided that the borrower/s shall put up a surety bond (not an heir's bond) that shall answer for the payment of the outstanding loan obligation still due to the Fund in the event that another person including an heir of the registered owner would lay a claim against the property offered as security.
- 8.5. The real estate taxes on the property must be updated as of the quarter immediately preceding the date of loan application, and yearly thereafter during the term of the loan.

To ensure that the real estate taxes on the mortgaged property are updated, the borrower is required to submit a copy of the official receipt of the real estate taxes paid for the preceding year not later than April 30 of the succeeding year. Failure of the borrower to submit proof of payment of the real estate taxes for the year shall render the outstanding loan due and demandable.

9. INSURANCE

The borrower shall be compulsorily covered by mortgage redemption insurance and fire insurance:

- 9.1. Mortgage Redemption Insurance MRI – A borrower who is not beyond sixty-five (65) years old at the date of housing loan application shall be covered by the MRI, provided, that he shall not be over seventy (70) years old on his birthday nearest the date the original housing loan expires. The MRI coverage of the borrower shall be subject to the schedule of insurance in the Pag-IBIG Fund Master Policy.

In the case of borrowers who are tacked into a single loan, the principal borrower and his co-borrowers shall each be covered by the MRI to the extent of their individual loan entitlements. As such, the MRI premium shall be the aggregate of the premiums corresponding to each borrower. Thus, should any of the borrowers die, only his portion of the entire loan shall be extinguished by MRI.

9.1.1. Interim Coverage

The interim MRI coverage on the principal borrower and the co-borrower/s under the automatic coverage system shall take effect on the date of the issuance of the Notice of Approval (NOA) or Letter of Guaranty (LOG) by Pag-IBIG Fund.

9.1.2. Regular Coverage

- a. The regular coverage shall be a non-medical yearly renewable term insurance (YRT) for which Pag-IBIG housing loan borrowers shall pay a uniform premium rate effective on the date of loan-takeout.
 - b. The amount of coverage shall be the original amount of the loan.
- 9.2. Fire and Allied Perils Insurance - The borrower shall obtain fire and other allied perils insurance on the property mortgaged for an amount equivalent to the appraised value of the residential unit or the loan amount, whichever is lower.
- 9.3. Premium Payments – The annual premium for the first year of coverage shall be prepaid and shall be deducted from the loan proceeds upon loan takeout. Premiums due for the second year, and every year thereafter that the insurance coverage is in force shall be prepaid on a monthly basis and shall be collected together with the monthly loan amortization.
- 9.4. All borrowers up to 60 years old shall not be subjected to underwriting approval.

9.5. The following borrowers shall be required to accomplish and submit a Health Statement Form to be filled out by the applicant in his own handwriting, duly signed and dated, and witnessed by one person:

9.5.1. Borrowers over 60 years old;

9.5.2. OFW who is over sixty (60) years old - The applicant shall also be required to submit a copy of the result of his medical examination conducted prior to his assignment overseas as required by his employment agency.

Should the applicant's health be found "sub-standard", the corresponding sub-standard rating shall be applied, and the applicant shall also be charged the additional extra premium.

9.6. The Fund shall no longer renew the MRI of the borrower and co-borrower once the subject property has been auctioned off.

Nonetheless, the borrower and co-borrower shall still be covered by the MRI, until such time that the unexpired premiums have been utilized.

10. PREPAYMENT

10.1. A borrower shall be allowed to prepay his loan in full or in part without prepayment penalty, pursuant to Republic Act 7394.

10.2. Accelerated payments – Any amount in excess of the monthly amortization due shall be treated as future amortization. However, upon request of the borrower and provided the amount to be applied is equivalent to at least one monthly amortization, said amount shall be applied to the principal.

The treatment of excess payment the borrower prefers must be noted on/properly disclosed in the Pag-IBIG Fund Receipt (PFR).

11. DEFAULT

11.1. The borrower shall be considered in default when he or any of his co-borrowers fails to pay any three (3) consecutive monthly amortizations and/or monthly membership contributions and other obligations on the loan.

11.2. At point of default, the outstanding loan, together with accrued interest, penalties, fees and other charges, shall become immediately due and demandable. The said amount shall likewise be subject to the following:

11.2.1. The unpaid monthly payments shall continue to be charged with a penalty equivalent to 1/20 of 1% of the amount due for every day of delay.

11.2.2. It shall continue to bear interest at the stipulated rate from the time the outstanding loan become due and demandable.

11.3. While the account remains to be due and demandable, the member shall not be allowed to avail any of the HDMF loan programs; except in case of avilment of Multi-Purpose Loan (MPL) where the purpose is to update his/her housing loan.

11.4. In case of default, the following remedies may be adopted:

11.4.1. Pag-IBIG Fund shall endorse the account to foreclosure; or

11.4.2. The principal borrower may enter into a Deed of Sale with an eligible Pag-IBIG housing loan borrower.

11.5. Prior to the filing for Petition for Extra-Judicial Foreclosure, the delinquent member's Total Accumulated Value (TAV) and his co-borrower's, if any, shall be applied to his outstanding housing loan obligation, except if the borrower/co-borrower has an existing MPL/Calamity Loan.

If there is existing MPL/Calamity Loan, the TAV to be applied to the housing loan obligation shall be net of the outstanding MPL/Calamity loan obligation plus six (6) months worth of estimated penalties and interest. This shall apply regardless of the status of the MPL/Calamity Loan.

12. LOAN CHARGES

The borrower shall pay a Processing Fee of Three Thousand Pesos (P3,000.00), which shall be paid as follows:

12.1 One Thousand Pesos (P1,000.00) upon filing of the loan application, which shall be non-refundable if the loan is disapproved;

12.2 Two Thousand Pesos (P2,000.00) upon loan takeout.

13. EFFECTS OF MEMBERSHIP TERMINATION ON AN OUTSTANDING HOUSING LOAN

13.1. Application of Member's TAV

A member whose housing loan is taken out under this Circular shall not be allowed to withdraw his TAV if he has an outstanding housing loan with Pag-IBIG Fund as of the date of membership/savings withdrawal. He shall be given the following options:

13.1.1. Pay off the outstanding housing loan balance and withdraw his accumulated savings;

13.1.2. Continue amortizing the loan until it is fully paid, provided that the account is updated. The member can withdraw his accumulated savings only upon full settlement his loan obligation; or

13.1.3. Apply the accumulated savings to the outstanding loan balance.

Should there be any unpaid loan balance after the member's total savings have been offset against the loan, Pag-IBIG Fund shall require the borrower to pay the balance either in full, or under a revised amortization scheme, for a period not longer than the remaining term of the loan. Should the borrower opt for the latter, he shall be required to pay his monthly membership contributions until the loan obligation is fully settled, in accordance with the terms and conditions of the loan agreement.

13.2. Application of Insurance Proceeds

In the event of death, Pag-IBIG Fund shall apply the proceeds of the member's mortgage redemption insurance (MRI) to his outstanding housing loan balance, and the excess, if any, shall be paid to the member's designated beneficiaries.

In case the insurance proceeds shall not be sufficient to pay the member's housing loan balance fully, the Fund shall offset the remaining amount against the member's TAV. Should the member's TAV still not suffice, the Fund shall require the member's heirs/beneficiaries to settle any remaining balance in full or under a revised amortization scheme for a period not longer than the remaining term of the loan.

14. OTHER PROVISIONS

14.1. Any ambiguity in the implementation of these guidelines shall be resolved by the Department Manager III concerned or shall be escalated to the next higher approving authorities.

14.2. The borrower may avail of this program only once.

15. AMENDMENTS

These guidelines may be amended, revised or modified by the Pag-IBIG Fund Senior Management Committee in furtherance of the objectives of the program, provided that the amendments, revisions or modifications herein adopted are consistent with the mandate of the Fund under its charter and existing laws.

16. REPEALING CLAUSE

All memoranda, rules, regulations, and other issuances inconsistent herewith are hereby repealed, amended or modified accordingly.

17. EFFECTIVITY AND PROGRAM IMPLEMENTATION

The Pag-IBIG Affordable Housing Program shall be implemented on 1 June 2012 for housing loan applications eligible for the 4.5% interest rate taken out on the said date. Full implementation of the program shall begin on 2 July 2012.



ATTY. DARLENE MARIE B. BERBERABE
Chief Executive Officer

Makati City
 JULY 2 , 2012