

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

**Circular No. 385**

**TO : ALL CONCERNED**

**SUBJECT : REVISED GUIDELINES IMPLEMENTING THE Pag-IBIG FUND HOME REHABILITATION/RECONSTRUCTION LOAN PROGRAM**

---

Pursuant to the approval of the Pag-IBIG Fund Board of Trustees in its 322<sup>nd</sup> Board Meeting held on 6 July 2017, the **Revised Guidelines on the Pag-IBIG Fund Home Rehabilitation/Reconstruction Loan (HRRL) Program** are hereby issued.

**I. OBJECTIVE**

The HRRL Program aims to provide financial assistance to Pag-IBIG Fund members whose residential properties have been severely damaged by calamities.

**II. COVERAGE**

**Pag-IBIG Fund members in areas declared under state of calamity may avail of the HRRL program; provided, a Management Directive has been issued for its implementation.**

**These guidelines shall initially apply to HRRL applications of eligible Pag-IBIG Fund members residing and/or working in Marawi City, who were affected by the armed conflict between the government forces and the Maute Group.**

**III. PROGRAM IMPLEMENTATION**

A borrower has the option to apply for an Express HRRL or a Regular HRRL subject to eligibility requirements.

**A. Express HRRL**

**1. Loan Purpose**

The HRRL may be used to finance any of the following, **regardless of the location of the property:**

- 1.1 Rehabilitation/reconstruction of a residential unit owned by the member; or
- 1.2 Rehabilitation/reconstruction of a residential unit mortgaged with or assigned to the Fund.

## 2. Loanable Amount

An eligible member shall be allowed to borrow a maximum loanable amount of **One Hundred Fifty Thousand Pesos (P150,000.00)**, which proceeds shall be released one time.

### 2.1 Loanable Amount Based on Capacity to Pay

- 2.1.1 All housing loan applications shall be evaluated based on the borrower's capacity to pay.
- 2.1.2 A member's loanable amount shall be limited to an amount for which the monthly repayment shall not exceed thirty-five percent (35%) of the borrower's gross monthly income.
- 2.1.3 For a borrower with an existing Pag-IBIG housing loan availing of the HRRL Program, the sum of the monthly repayment for the existing housing loan and the monthly repayment for the HRRL shall not exceed 35% of the borrower's gross monthly income.
- 2.1.4 For government employees who will be paying their HRRL amortization through salary deduction, their Net Take Home Pay must not fall below the minimum requirement as provided in the General Appropriations Act, **subject to the parameters prescribed under Section IV.D of these guidelines.**

### 2.2 Tacked Loans

Tacked loans, **wherein the loans of a maximum of three (3) borrowers are tacked into a single loan**, shall not be allowed under Express HRRL.

## 3. Registration Expenses

Pag-IBIG Fund shall undertake the registration of the Loan (and Mortgage) Agreement. However, all expenses and fees relative thereto shall be deducted from the loan proceeds.

## B. Regular HRRL

### 1. Loan Purpose

The HRRL may be used to finance any of the following, **regardless of the location of the property:**

- 1.1 Purchase of a residential house and lot;
- 1.2 Rehabilitation/reconstruction of a damaged residential unit either:
  - 1.2.1 Owned by the borrower; or
  - 1.2.2 Mortgaged with or assigned to the Fund.
- 1.3 Construction or completion of a residential unit on a residential lot owned by the borrower or a relative of the borrower based on Section IV.E.1.2 herein; or

1.4 Home improvement on the house owned by the borrower, *i.e.* any alteration in an existing residential unit intended by the borrower to be a permanent integral part thereof, which will enhance its durability and material value.

## 2. Loanable Amount

A qualified Pag-IBIG member shall be allowed to borrow an amount of up to Four Hundred Fifty Thousand Pesos (P450,000.00), which shall be based on the lowest of the following: member's desired loan amount, his capacity to pay and the loan-to-appraised value ratio.

### 2.1 Loanable Amount Based on Capacity to Pay

2.1.1 All housing loan applications shall be evaluated based on the borrower's capacity to pay.

2.1.2 A member's loanable amount shall be limited to an amount for which the monthly repayment shall not exceed thirty-five percent (35%) of the borrower's gross monthly income. In case of tacked loans, the individual gross monthly income of the borrowers shall be considered.

2.1.3 For a borrower with an existing Pag-IBIG housing loan availing of the HRRL Program, the sum of the monthly repayment for the existing housing loan and the monthly repayment for the HRRL shall not exceed 35% of the borrower's gross monthly income.

2.1.4 For government employees who will be paying their HRRL amortization through salary deduction, their Net Take Home Pay must not fall below the minimum requirement as provided in the General Appropriations Act, **subject to the parameters prescribed under Section IV.D of these guidelines.**

### 2.2 Tacked Loans

A maximum of three (3) qualified Pag-IBIG members may jointly apply for a housing loan subject to the following conditions:

2.2.1 **If related up to** the second civil degree of consanguinity or affinity:

- a. The individual **and separate** gross monthly income of those **who jointly applied and whose loans are** tacked into a single loan **account** shall be considered in determining their respective capacity to pay; and
- 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.

2.2.2 If the co-borrowers are non-relatives, or are related to each other but not within the second civil degree of consanguinity affinity, the loan shall be subject to the following conditions, in addition to the requisites provided under the immediately preceding section:

- a. The housing loan purpose is either for the purchase of residential unit or lot, or purchase of lot with house construction;

- b. The property subject of their loan shall be registered in their names, that is, in the name of all the borrowers;
- c. All the borrowers shall execute the REM; and
- d. The mortgage shall be released only upon full payment of the entire housing loan obligation.

Applications for tacked loans shall be subject to the approval of the appropriate level of signing/approving authorities.

**2.3 Loan-to-Appraised Value Ratio**

The ratio of the HRRL to the appraised value of the collateral shall be one hundred percent (100%).

**IV. GENERAL PROVISIONS**

**A. Borrower's Eligibility**

To qualify for an HRRL, a borrower shall satisfy the following requirements:

- 1. The principal borrower must be a resident of the area with a declaration of State of Calamity and must show proof that his residential property was damaged by the said calamity.

**For eligible Pag-IBIG members affected by the armed conflict between the government forces and the Maute Group in Marawi City, the principal borrower must be a resident or a worker therein.**

- 2. He must be a member under the Pag-IBIG I Membership Program:
  - 2.1.1 After filing the housing loan application, the borrower shall pay his monthly savings based on the mandatory rate until loan approval.
  - 2.1.2 After the full release of the HRRL takeout proceeds, the borrower shall be required to pay his monthly savings based on the upgraded rate, if applicable, corresponding to the amount of the HRRL, and every month thereafter until full settlement of his loan obligation.

Monthly Savings	Loan Amount
P 50	Up to P125,000
100	Over P125,000 to P250,000
150	Over 250,000 to P375,000
200	Over P375,000 to P450,000

- 3. Not more than sixty-five (65) years old at the date of HRRL application and not more than seventy (70) years old at loan maturity;
- 4. Has the legal capacity to acquire and encumber real property;
- 5. **Has passed satisfactory background/credit and employment/business checks of Pag-IBIG Fund;**
- 6. If with existing Pag-IBIG **housing account**, either as principal **buyer** / borrower or **co-buyer** / co-borrower, it must be updated;

7. Has no outstanding Pag-IBIG Short Term Loan (STL) in arrears at the time of HRRL application. A member whose STL is in arrears shall be required to pay his arrearages over the counter to update his account; and
8. Had no Pag-IBIG housing account 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 his **housing account** and surrenders the property. However, the Fund's Deputy Chief Executive Officer – Home Lending Operations Cluster may allow such borrower to avail of a new housing loan under certain meritorious conditions such as in the following cases:
  - 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 Real Estate Mortgage (REM) account, cancellation of the Deed of Conditional Sale (DCS) or Contract-to-Sell (CTS), or surrender of his/her property via dacion en pago.
  - 8.2 Unemployment of the borrower at the time his previous housing loan was foreclosed, its DCS/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.
  - 8.3 **The subject property has been expropriated by the Government; or**
  - 8.4 Other similar meritorious cases that the Deputy Chief Executive Officer – Home Lending Operations Cluster may consider.

**B. Interest Rate**

1. **The interest rate to be charged shall be as follows:**

Payment Period from Loan Takeout	Interest Rate Based on Gross Monthly Income	
	Up to P12,000	More than P12,000
1 <sup>st</sup> to 6 <sup>th</sup> Month	0%	0%
7 <sup>th</sup> to 24 <sup>th</sup> Month	3%	3%
25 <sup>th</sup> to 60 <sup>th</sup> Month	3%	Based on the Full Risk-Based Pricing
Beyond 60 <sup>th</sup> Month	Based on the Full Risk-Based Pricing	

2. **For Borrowers with Gross Monthly Income of Up to P12,000**
  - 2.1 **The loan shall be interest free for the first six (6) months from loan takeout date. Three Percent (3%) interest rate per annum shall be charged beginning on the 7<sup>th</sup> to the 60<sup>th</sup> month from loan takeout date.**
  - 2.2 **The balance of the HRRL after the 60<sup>th</sup> month from loan takeout shall be amortized for the remaining term of the loan with interest based on the Full Risk-Based Pricing (FRBP) Framework.**

### **3. For Borrowers with Gross Monthly Income of More Than P12,000**

**3.1 The loan shall be interest free for the first 6 months from the loan takeout date. Three Percent (3%) interest rate per annum shall be charged beginning on the 7<sup>th</sup> to the 24<sup>th</sup> month from loan takeout date.**

**3.2 The balance of the HRRL after the 24th month from loan takeout date shall be amortized for the remaining term of the loan with interest based on the FRBP Framework.**

4. In case of loans subject to staggered releases for Regular HRRL, there shall be no interim interest from the initial release of the loan proceeds up to the final release of the loan proceeds. However, if the housing unit subject of the loan is not yet complete at the end of the 6-month period from the date of the initial release of the loan proceeds, said account shall be considered taken-out as of the end of the 6<sup>th</sup> month. This process shall be known as constructive takeout of the subject account.

**Hence, upon housing loan takeout and up to the 24<sup>th</sup> or 60<sup>th</sup> month, whichever is applicable, the 3% interest rate per annum shall be charged to the subject housing account. Thereafter, the interest rate based on the FRBP Framework shall be charged.**

### **C. Loan Term**

**The Express or Regular HRRL shall be repaid at a maximum term of thirty (30) years, but not to exceed the difference between age seventy (70) and the present age of the borrower.**

### **D. Loan Payment**

#### **1. Mode of Payment**

- 1.1 **The borrower shall pay the monthly amortizations** in such amounts as may fully cover the principal and interest, as well as insurance premiums, over the **term of the loan**, and shall be made, whenever feasible, through salary deduction. The borrower must however give his/her consent in writing for the deduction of the amount of loan amortization from his salary.

Pag-IBIG Fund and the employer may enter into a Collection Servicing Agreement stipulating, among others, that the collection of the employee's Pag-IBIG housing loan payments shall be effected through salary deduction and 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.

- 1.2 The monthly amortizations may also be paid to Pag-IBIG Fund through any of the following modes:

1.2.1 Post-dated checks;

1.2.2 Payment to an accredited developer with a Collection Servicing Agreement with the Fund;

1.2.3 Accredited Collection Partners;

1.2.4 Auto debit arrangement with banks; or

1.2.5 Any other collection system which the Fund may implement in the future.

## 2. Payment Due Dates

2.1 The payment of the monthly amortization shall commence on the month immediately following the loan takeout date (DV/Check Date), and every month thereafter until full settlement of the housing loan.

2.2 In case of staggered releases, the payment date shall coincide with the DV/Check Date of the final release of the loan proceeds or the constructive takeout date, whichever is applicable, and every month thereafter.

2.3 Should the due date fall on a non-working day in the Pag-IBIG branch where the housing loan is maintained, the monthly amortization shall be paid **until** the next working day.

3. **Partial payments shall be accepted but the unpaid portion of the amount due shall be charged with the applicable penalty. Any amount paid by the borrower shall be applied in accordance with the order of priority under Section IV.D.5.**

4. **Any portion of the amount due that remains unpaid after the due date shall be charged with a penalty of 1/20 of 1% for every day of delay.**

5. A borrower's monthly payment shall thus be applied according to the following order of priority:

5.1. Mandatory and/or Upgraded Monthly Savings, if applicable,

5.2. Penalties,

5.3. Insurance Premiums,

5.4. Interest, and

5.5. Principal.

## E. Collateral

The loan shall be secured by a collateral acceptable to the Fund, which, as a rule, shall consist of the same residential properties to which the loan proceeds are applied.

### 1. For Retail Housing Loans

1.1 The security shall consist of a First 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.

1.2 Accommodation mortgages shall be allowed only on Regular HRRL availed under these guidelines; provided that, the principal borrower is related to the land owner up to the second civil degree of consanguinity or up to the first civil degree of affinity. For house construction loan, the said owner and the borrower shall sign the REM as co-mortgagors to fully **secure prompt and full payment of** the residential unit and improvements thereon.

1.3 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 provided 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 title shall be registered in the name of the landowner.

Properties that are subject of a 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.

## 2. For Developer-Assisted Housing Loans

### 2.1 Contract-to-Sell (CTS) Documentation

The developer shall execute a CTS with Pag-IBIG Fund member to cover the purchase of the residential unit or lot used as collateral for the Pag-IBIG housing account of the member subject to the provisions of the Guidelines on the Pag-IBIG Fund Takeout Mechanism under the Developer's CTS/REM Scheme. The developer shall execute a Deed of Assignment assigning the CTS in favor of the Fund, which shall be annotated on the title of the property.

### 2.2 Deed of Conditional Sale

2.2.1 The title of the subject property shall be transferred in the name of the Fund. Costs for the transfer of title shall be for the account of the developer. However, upon the borrower's written request and provided that the LTV ratio does not exceed fifty percent (50%), the title of the property may also be transferred in his/her name.

2.2.2 If the title of the property is transferred in the name of the Fund, a DCS shall be executed with the borrower. In case the title is transferred directly in the name of the borrower, the developer shall execute a Deed of Absolute Sale in favor of the borrower, who shall also execute a loan agreement and promissory note with the Fund to fully cover his obligation.

3. The subject property shall be appraised by Pag-IBIG Fund.
4. 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 shall be required to submit a copy of the official receipt of the real estate taxes paid for the preceding year not later than June 30 of the current year and every year thereafter.

## F. Insurance

1. The principal borrower and co-borrower/s, if any, shall be compulsorily covered by Mortgage Redemption Insurance or Sales Redemption Insurance (MRI/SRI), whichever is applicable. **In the case of borrowers and co-borrowers, who are tacked into a single account, each of them shall be covered by the MRI/SRI to the extent of their corresponding obligation. The MRI/SRI premiums shall be the aggregate of the premiums corresponding to the housing loan granted to each borrower.**



### 1.1. Interim Coverage

The interim MRI/SRI coverage shall take effect on the date of the issuance of the Notice of Approval (NOA)/Letter of Guaranty (LOG) by Pag-IBIG Fund.

### 1.2. Regular Coverage

The regular MRI/SRI coverage shall be a non-medical yearly renewable insurance for which the borrowers shall pay a uniform premium rate effective on the date of takeout.

In the event of death or permanent/total disability of any of the borrowers, Pag-IBIG Fund shall apply the MRI/SRI proceeds to the entire outstanding housing loan obligation, and the excess, if any, shall be paid to the borrowers or his heirs.

2. The principal borrower shall obtain Fire and Other Allied Perils Insurance on the subject property for an amount equivalent to the appraised value of the housing component of the residential unit or the loan amount, whichever is lower.

## G. Prepayment

1. A borrower shall be allowed to prepay his housing loan in full or in part without prepayment penalty, pursuant to Republic Act 7394, otherwise known as "The Consumer Act of the Philippines", but subject however to a service fee as may be fixed by the Fund.
2. Accelerated payments - Any amount in excess of the monthly amortization due shall be treated as advance amortization and shall be applied **on the next amortization due date**. 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 preference of the borrower on the treatment of his excess payment must be noted on/properly disclosed in the Pag-IBIG Fund Receipt.

## H. Default

1. The borrower shall be considered in default when he, or any of his co-borrowers, in case of a tacked loan:
  - 1.1 Fails to pay three (3) monthly amortizations;
  - 1.2 **Fails to submit proof of payment of the real estate property taxes for the year; or**
  - 1.3 Violates or fails to perform any of the obligations in the contracts entered into with Pag-IBIG Fund.

**In case of multiple housing loans, any event of default on any of the housing accounts shall constitute default on all of his other housing accounts.**

2. At point of default, the outstanding obligation, which includes the principal, accrued interests, penalties, fees and other charges, shall become immediately due and demandable. Said amount shall likewise be subject to the following:

- 2.1 The unpaid amount shall continue to be charged with a penalty equivalent to 1/20 of 1% of the amount due for every day of delay.
- 2.2 It shall continue to bear interest at the stipulated rate from the time the obligation becomes due and demandable.
- 3. While the account remains to be due and demandable, the borrower shall not be granted another housing account under any of the Pag-IBIG housing programs.
- 4. In case of default, Pag-IBIG Fund shall cancel the CTS/DCS or foreclose the mortgage in accordance with the existing guidelines on the matter.

**I. Loan Charges**

The borrower shall pay the corresponding processing and appraisal fees for his housing loan application.

**J. Availment Period**

Availment of this program shall be in accordance with the following:

Loan	Availment Period
<b>A. Express HRRL</b>	Within ninety (90) calendar days from issuance of Management Directive
<b>B. Regular HRRL</b>	Within One (1) year from issuance of Management Directive
<b>C. Availment of Express or Regular HRRL for Pag-IBIG Fund Members Affected by the Armed Conflict in Marawi City</b>	<b>Within One (1) year from the effectivity of these guidelines</b>

**V. MECHANISM ON RESOLUTION ON ISSUES**

Any issue in the interpretation and implementation of these guidelines shall, as much as possible, be resolved by the concerned officer. Matters that are not thereby satisfactorily resolved shall be escalated to the next higher approving authorities.

**VI. REPEALING CLAUSE**

These guidelines shall repeal Pag-IBIG Fund Circular No. 367, entitled "Amended Guidelines Implementing the Pag-IBIG Fund Home Rehabilitation/ Reconstruction Loan Program." All other memoranda, rules, regulations and other issuances contrary to or inconsistent with the provisions of these guidelines are hereby repealed, amended or modified accordingly.

**VII. EFFECTIVITY**

This Circular takes effect after fifteen (15) days following the completion of its publication in the Official Gazette or in a newspaper of general circulation.



**ACMAD RIZALDY P. MOTI**  
Chief Executive Officer

Makati City,  
August 2, 2017