

THIRTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session

5 MAY -4 P3:53

SENATE  
1996  
S. B. No. \_\_\_\_\_

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Introduced by Senator Biazon

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#### EXPLANATORY NOTE

The Asian crisis of 1997 brought hardships to many Filipinos, despite claims that our country weathered the storm fairly well and better than our Asian neighbors. Hardest hit, perhaps, were our countrymen who were just barely making ends meet before the crisis hit. Included among this segment are those who have availed of low-cost and socialized housing offered on a supply-dictated basis at the behest of the Ramos administration.

Thus, despite the enactment of RA 8501 to remedy the problem of unpaid mortgages and defaulting housing loan borrowers, only a measly 19,000 availed of the condonation program out of more than 180,000 defaulting accounts.

This measure seeks to provide fresh hope to those who have failed to avail of the provisions of RA 8501 but wish to keep their homes and pay their loans at rates affordable and in keeping with their current economic status.

While from the perspective of creditors, borrowers must stick to the agreement originally drafted and signed by both parties when the loan was availed, such scenario at this time is far from realistic, given the prevailing socio-economic conditions of the country. It is perhaps best purely to look at this problem from a more humanitarian and compassionate point of view than from a purely economic standpoint. A country's laws, policies, rules, et cetera, are created not to make life a rigid line for its citizens to toe, but to improve the quality of life for its people. As such, this bill responds to such a need from the many borrowers and their families affected by a crisis that has already inflicted much suffering on their lives.

Apart from the previously stated premises, this measure also seeks to rescue the ailing National Shelter Program.

Given the foregoing, passage of this bill is earnestly urged.

  
RODOLFO G. BIAZON  
Senator

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**AN ACT**  
**TO ESTABLISH A SOCIALIZED AND LOW-COST HOUSING LOAN**  
**RESTRUCTURING PROGRAM, PROVIDING THE MECHANISMS THEREFOR,**  
**AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

**SECTION 1. Title.** This Act shall be known as the "Socialized and Low-Cost Housing Loan Restructuring Act of 2005.

**SECTION 2. Restructuring of Delinquent Socialized and Low-Cost Housing Loan Accounts.** In keeping with the Constitutional mandate for the State to undertake a continuing program of urban land reform and housing that will make available at affordable cost decent housing and basic services, there is hereby established a Socialized and Low-Cost Housing Loan Restructuring Program. Under this program:

- a) For three (3) years from the effectivity of this Act, all socialized housing loans or loans amounting to Two Hundred Twenty Five Thousand Pesos (₱ 225,000.00) and below and all low-cost housing loans or loans amounting to over Two Hundred Twenty Five Thousand Pesos (₱ 225,000.00) but not exceeding Five Hundred thousand Pesos (₱ 500,000.00) with any of the government financing institutions and agencies involved in the National Shelter Program (NSP) including but not limited to, the Government Service Insurance System (GSIS), Social Security System (SSS), Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Home Guaranty Corporation (HGC), and the National Housing Authority (NHA) that have at least a six-month unpaid monthly amortization are hereby declared covered by the benefits of this restructuring program notwithstanding that the same account has availed of the benefits of a previous restructuring or condonation program and even if the annual total family income of the borrower-applicant exceeds Three Hundred Thousand Pesos (₱ 300,000.00);
- b) An application for restructuring shall only be charged a processing fee which shall be lower than those charged under previous restructuring or condonation programs and no down payment shall be required for a borrower to apply for the benefits of this restructuring program;
- c) All penalties and **surcharges** shall be condoned upon filing of the restructuring application under this Act: *Provided*, That all accrued interests shall be added to the remaining balance of the principal, the aggregate of which shall be considered as the new principal amount: *Provided, further*, that waiver of penalties, surcharges, and accrued interests for accounts subject of buy back or other default arrangements with government financing institutions

(GFI's) under the National Shelter Program of the government shall be left to the discretion of the respective boards of such government financing institutions;

- d) A borrower-applicant may be allowed to use the total accumulated value of his/her membership contribution or savings with the GSIS, SSS, or HDMF to pay in full or in part his/her housing loan.
- e) The term of a housing loan account being applied for restructuring may be extended for a period longer than its original term in order to lower the amount of the monthly amortization to a maximum of One Thousand Five Hundred Pesos (₱ 1,500.00) for a period of three (3) years from the approval of the application, after which, the monthly amortization will revert back to its original amount. The unserviced portion ensuing from the three-year lowered monthly amortization shall be paid on the last year of the term of the housing loan along with the last monthly amortization. In the event that the borrower fails to pay any amortization during the three-year period, he/she shall voluntarily surrender his/her property without need of judicial proceedings;
- f) In case of incapacity of a borrower, his/her legal heirs and successors-in-interest may assume payment of his/her outstanding housing loan; and
- g) Loan restructuring under this Act may be availed of only once.

All corresponding penalties and surcharges which NHMFC may have to pay its funders as a result of the implementation of this Act shall be automatically adjusted and condoned.

**SECTION 3. *Exclusion From Coverage.*** In no instance shall the following housing loan accounts be covered by this Act:

- a) Any account without a single payment since take out;
- b) An account whose housing unit has been abandoned by the borrower-owner for more than two (2) years;
- c) An account whose housing unit has remained unoccupied for a period of at least two (2) years;
- d) An account whose housing unit is occupied by a third party other than the original registered beneficiary; and
- e) An account that has been foreclosed, the title of which has already been consolidated/transferred in the name of the government financing institution (GFI).

**SECTION 4. *Remedies Against Delinquent Accounts.*** The government financing institutions shall continue to exercise their right to foreclose properties covered by accounts excluded in sub-paragraphs (a) through (d) under Section 3 hereof or of delinquent accounts of borrowers who shall fail to avail of the benefits of this Act and that such foreclosure proceedings shall be exempt from publication and from the payment of filing fees, capital gains tax and documentary stamp tax: *Provided*, that in lieu of publication, posting of the date and place of auction shall be made in at least three (3) conspicuous public places similar to that provided for under Act 3135; *Provided further*, that notice to the borrower at his last known address shall likewise be made.

**SECTION 5. *Declaration of Dividends.*** The declaration of dividends of the funds managed by the GSIS, SSS, and HDMF shall be limited to their members who have not availed of the restructuring program under this Act.

**SECTION 6. *Incentive for Prompt Payment of Monthly Amortization.*** Upon the effectivity of this Act, all accounts whose monthly amortizations are paid on time shall be entitled to a reasonable discount on loan interest.

**SECTION 7. *Implementing Rules and Regulations.*** There is hereby created an inter-agency committee headed by the Housing and Urban Development Coordinating Council and composed of all the government institutions and agencies enumerated in Section 2 hereof tasked to promulgate the implementing rules and regulations within sixty (60) days from the effectivity of this Act.

**SECTION 8. *Congressional Oversight Committee.*** There is hereby created a Congressional Oversight Committee composed of the Chairman of the House Committee on Housing and Urban Development and the Chairman of the Senate Committee on Urban Planning, Housing and Resettlement, five (5) members of the Senate and six (6) members of the House of Representatives. The members from the Senate shall be appointed by the Senate President from among the members of the Senate Committee on Urban Planning, Housing and Resettlement based on the proportional representation of the parties or coalitions therein. The members from the house of Representatives shall be appointed by the Speaker from among the members of the house Committee on housing and Urban Development based on the proportional representation of the parties or coalitions therein.

The Oversight Committee shall review and approve the Implementing Rules and Regulations. It shall also review the performance of the government financing institutions and agencies involved in the implementation of this Act.

**SECTION 9. *Repealing Clause.*** All laws, executive orders, rules or regulations, or any part thereof, inconsistent with any provisions of this Act are hereby repealed or modified accordingly.

**SECTION 10. *Effectivity Clause.*** This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least (2) national newspapers of general circulation.

**Approved.**