

[REPUBLIC ACT NO. 9679, July 21, 2009]

**AN ACT FURTHER STRENGTHENING THE HOME DEVELOPMENT
MUTUAL FUND, AND FOR OTHER PURPOSES**

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

SECTION 1. *Title.* — This Act shall be known as the "Home Development Mutual Fund Law of 2009, otherwise known as Pag-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund".

SEC. 2. *Declaration of Policy.* — It is the policy of the State to establish, develop, promote, and integrate a nationwide sound and viable tax-exempt mutual provident savings system suitable to the needs of the employed and other earning groups, and to motivate them to better plan and provide for their housing needs, by membership in the Home Development Mutual Fund, with mandatory contributory support of the employers in the spirit of social justice and the pursuit of national development.

SEC. 3. *Statement of Objectives.* — Towards this end, the State shall integrate all laws relating to the Home Development Mutual Fund to effectively achieve the following objectives:

1. To improve the quality of life of its citizens by providing them with sufficient shelter;
2. To provide for an integrated nationwide provident savings system; and
3. To provide housing through mobilization of funds for shelter finance.

SEC. 4. *Definition of Terms.* — The following terms shall mean:

- a. "Board" - the duly constituted Board of Trustees of the Home Development Mutual Fund.
- b. "Compensation" - basic monthly salary plus mandated cost of living allowance.
- c. "Contributions" - the amount payable to the Fund by the members and their employers, in accordance with this Act.
- d. "Dependents" - refers to legal dependents of a deceased member, as defined under the Family Code.
- e. "Employee" - any person in the service of an employer who receives compensation of such services.
- f. "Employer" - any person, natural or juridical, domestic or foreign, who carries on in the Philippines, or outside of the Philippines, any trade, business, industry, undertaking or activity of any kind, and uses the services of another person who is under his order as regards such services; the government, its

national and local offices, political subdivisions, branches, agencies, or instrumentalities, including corporations owned and/or controlled by the government, and the local government units.

- g. "Employment" - any service performed by an employee for his/her employer within the Philippines: *Provided, however,* That any foreign government, international organization or their wholly-owned instrumentality employing workers in the Philippines or employing Filipinos outside of the Philippines, may enter into an agreement with the Fund for the inclusion of their employees as members of the Fund: *Provided, further,* That the term of such agreement conform with the provisions of this Act.
- h. "Fund" - the fund created under this Act which is a government financial institution involved in mobilizing provident funds primarily for shelter finance;
- i. "GSIS" - the Government Service Insurance System created under Commonwealth Act No: 186, as amended.
- j. "Investible Funds" shall mean funds available after deducting cost of operations and expenses, administrative and general expenses, reserves for benefit claims, provisions for a sinking fund for the return of the members' equity upon maturity and provision for reserve for loan repayments.
- k. "Member" - an employee coverable under this Act and pays the mandated contributions.
- l. "Membership Term" - a period of twenty (20) years commencing from the first day of the month to which the member's initial contribution to the Fund applies: *Provided,* That he shall have contributed a total of two hundred forty (240) monthly contributions at the time of maturity.
- m. "Net Fund Asset" - the total assets of the Fund less current liabilities.
- n. "Permanent Total Disability" - loss or impairment of a physical and mental function resulting from injury or sickness which completely incapacitates a member to perform any work or engage in any business or occupation as determined by the Fund.
- o. "SSS" - the Social Security System created under Republic Act No. 1161, as amended.

SEC. 5. *Fund System.* — To carry out the purposes of this Act, there is hereby created the Home Development Mutual Fund of 2009, also referred to herein as the Fund, a mutual provident savings system for private and government employees and other earning groups, supported by matching mandatory contributions of their respective employers with housing as the primary investment.

The Fund shall be a body corporate, with principal office in Metro Manila, and shall replace the Home Development Mutual Fund established under Presidential Decree No. 1752.

SEC. 6. *Fund Coverage.* — Coverage in the Fund shall be mandatory upon: (a) all employees covered by the SSS and the GSIS, and their respective employers, notwithstanding any waiver of coverage previously issued, including the uniformed members of the Armed Forces of the Philippines, the Bureau of Fire Protection, the Bureau of Jail Management and Penology, and the Philippine National Police; (h) Filipinos employed by foreign-based employers; and (c) spouses who devote full-time to managing the household and family affairs, unless they also engage in another vocation or employment which is subject to mandatory coverage, may be covered by the Fund on a voluntary basis adopting as a basis of contributions one-

half(1/2) of the monthly compensation income of the employed spouse.

Coverage may also be extended to other working groups, with or without employer contributions, as may be determined by the Board of Trustees.

SEC. 7. *Fund Generation and Contributions.* — The money of the Fund shall be generated by the provident savings that the covered employees shall contribute for the purpose every month, and the equal amounts that their respective employers shall mandatorily contribute.

Covered employees and employers shall contribute to the Fund based on the monthly compensation of covered employees as follows:

Employees earning not more than One thousand five hundred pesos (P1,500.00)per month - one percent (1%).

Employees earning more than One thousand five hundred pesos (P1,500.00) per month - two percent (2%).

All employers - two percent (2%) of the monthly compensation of all covered employees.

The maximum monthly compensation to be used in computing employee and employer contributions shall not be more than Five thousand pesos (P5,000.00): *Provided*, That this maximum may be fixed from time to time by the Board of Trustees through rules and regulations adopted by it, taking into consideration actuarial calculations and rates of benefits.

Notwithstanding any contract to the contrary, an employer shall not deduct, directly or indirectly, from the compensation of its employees covered by the Fund, or otherwise recover from them, the employer's contribution with respect to such employees.

SEC. 8. *Membership Term.* — Membership in the Fund shall be for a period of twenty (20) years, except when earlier terminated by reason of retirement, disability, insanity, death, departure from the country or other causes as may be provided for by the Board of Trustees: *Provided*, That those who become members of the Fund after the effectivity of this Act may withdraw the total accumulated value of their contributions to the Fund after the fifteenth (15th) year of continuous membership: *Provided, further*, That said members have no outstanding housing loans with the Fund: *Provided, finally*, That this option shall not prejudice the member's continuing membership in the Fund.

Resignation, layoff or suspension from employment may not necessarily constitute a ground for membership termination, except for suspension of contributions.

SEC. 9. *Waiver or Suspension of Coverage.* — Coverage of the Fund and/or the payment of monthly contribution to the same may, by rules or resolutions of the Board of Trustees, be waived or suspended by reasons of nature of employment, condition of business, ability to make contributions and other reasonable

considerations.

SEC. 10. *Provident Character.* — The Fund shall be private in character, owned wholly by the members, administered in trust and applied exclusively for their benefit. All the personal and employer contributions shall be fully credited to each member, accounted for individually and transferable in case of change of employment. They shall earn dividends as may be provided for in the implementing rules. The said amounts shall constitute the provident fund of each member, to be paid to him, his estate or beneficiaries upon termination of membership, or from which peripheral benefits for the member may be drawn.

SEC. 11. *Housing Features.* — A member of good standing shall be eligible to apply for housing loans, under such terms and conditions as may be authorized by the Board of Trustees, taking into account ability to pay. The Board of Trustees shall institute policies to ensure that lower-income members obtain such housing loans.

SEC. 12. *Implementing Body.* — The Home Development Mutual Fund created under this Act, shall implement the provisions hereof.

SEC. 13. *Powers and Functions of the Fund.* — The Fund shall have the powers and functions specified in this Act and the usual corporate powers:

- a. To formulate, adopt, amend and/or rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act, as well as the effective exercise of the powers and functions, and the discharge of duties and responsibilities of the Fund, its officers and employees;
- b. To adopt or approve the annual and supplemental budget of receipts and expenditures including salaries and allowances of the Fund personnel, to authorize such capital and operating expenditures and disbursements of the Fund as may be necessary and proper for the effective management and operation of the Fund;
- c. To submit annually to the President of the Philippines not later than March 15, a report of its activities and the state of the Fund during the preceding year, including information and recommendations for the development and improvement thereof;
- d. To invest not less than seventy percent (70%) of its investible funds to housing, in accordance with this Act;
- e. To acquire, utilize, or dispose of, in any manner recognized by law, real or personal properties to carry out the purposes of this Act;
- f. To set up its own accounting and computer systems; to conduct continuing actuarial and statistical studies and valuations to determine the financial viability of the Fund and its project; to require reports, compilations and analysis of statistical and economic data, as well as make such other studies and surveys as may be needed for the proper administration and development of the Fund;
- g. To have the power of succession; to sue and be sued; to adopt and use a corporate seal;
- h. To enter into and carry out contracts of every kind and description with any person, firm or association or corporation, domestic or foreign;
- i. To borrow funds from any source, private or government, foreign or domestic;

- j. To invest, own or otherwise participate in equity in any establishment, firm or entity; to form, organize, invest in or establish and maintain a subsidiary or subsidiaries in relation to any of its purposes;
- k. To approve appointments in the Fund except appointments to positions which are policy determining, primarily confidential or highly technical in nature according to the civil service rules and regulations: *Provided*, That all positions in the Fund shall be governed by a compensation and position classification system and qualification standards approved by the Fund's Board of Trustees based on a comprehensive job analysis, wage compensation study and audit of actual duties and responsibilities: *Provided, further*, That the compensation plan shall be comparable with prevailing compensation plans in the private sector and shall be subject to the periodic review of the Board no more than once every four (4) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Fund shall, therefore, be exempt from any laws, rules and regulations on salaries and compensations;
- l. To maintain a provident fund, which shall consist of contributions made by both the Fund and its officers and employees and their earnings, for the payment of benefits to such officials and employees or their heirs under such terms and conditions as it may prescribe;
- m. To design and adopt an early retirement incentive plan (ERIP) for its own personnel;
- n. To establish field offices and to conduct its business and exercise its powers in these places;
- o. To approve restructuring proposal for the payment of due but unremitted contributions and unpaid loan amortizations under such terms and conditions as the Board of Trustees may prescribe;
- p. To determine, fix and impose interest and penalties upon unpaid contributions due from employers and employees;
- q. To ensure the collection and recovery of all indebtedness, liabilities and/or accountabilities, including unpaid contributions in favor of the Fund arising from any cause or source or whatsoever, due from all obligors, whether public or private; to demand payment of the obligations referred to herein, and in the event of failure or refusal of the obligor or debtor to comply with the demand, to initiate or institute the necessary or proper actions or suits, criminal, civil, administrative, or otherwise, before the courts, tribunals, commissions, boards or bodies of proper jurisdiction: *Provided, however*, That the Fund may compromise or release, in whole or in part, any interest, penalty or civil liability to the Fund in connection with the collection of contributions and the lending operations of the Fund, under such terms and conditions as prescribed by the Board of Trustees: *Provided, further*, That the Board may, upon recommendation of the Chief Executive Officer, deputize any member of the Fund's legal staff to act as special sheriff in foreclosure cases, in the sale or attachment of the debtor's properties, and in the enforcement of court writs and processes in cases involving the Fund. The special sheriff of the Fund shall make a report to the proper court after any action taken by him, which shall treat such action as if it were an act of its own sheriffs in all respects;
- r. To design and implement other programs that will further promote and mobilize savings and provide additional resources for the mutual benefit of the members with appropriate returns on the savings/investments. The program shall be so designed as to spur socioeconomic take-off and maintain continued growth;