

[HDMF, March 22, 1998]

RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 8501

Pursuant to the authority granted to the Board of Trustees of the Home Development Mutual Fund under Section 5 of Republic Act No. 8501, otherwise known as the HOUSING LOAN CONDONATION ACT OF 1998, as well as under Section 12 of Presidential Decree No. 1752, as amended, the following rules and regulations are hereby promulgated and issued for the guidance of all concerned.

**RULE I
PRELIMINARY PROVISIONS**

SECTION 1. Title. — These Rules shall be known as the HDMF Rules and Regulations Implementing Republic Act No. 8501, otherwise known as the HOUSING LOAN CONDONATION ACT OF 1998.

SECTION 2. Construction. — Any doubt in the interpretation of these Rules shall be resolved in favor of the Housing Loan Borrower.

**RULE II
DEFINITION OF TERMS**

SECTION 1. Definition of Terms. — The following terms shall mean:

1. *Fund* — the Home Development Mutual Fund created by Presidential Decree No. 1752, as amended by Executive Order No. 35, Republic Act No. 7742 and Republic Act No. 8501;
2. *Board* — the duly constituted Board of Trustees of the Home Development Mutual Fund;
3. *Condonation Programs* — the condonation of penalties pursuant to NEMO 32 issued by the then President Corazon C. Aquino as well as the Restructuring Program of the Fund.
4. *Loans* — any loan obligation with the Fund such as but not limited to the following:
 - (a) A Pag-IBIG housing/lot purchase loan availed of by a bona fide Pag-IBIG member under any of the Pag-IBIG Housing Loan Programs based on his loan entitlement and which is now under the management of the Fund;
 - (b) A housing/lot purchase loan originally with National Home Mortgage Finance Corporation (NHMFC) which has been assigned, transferred and ceded to the Fund

(Folio 1 Accounts);

(c) A housing/lot purchase loan under the Unified Home Lending Program (UHLP) originally with NHMFC which, by Deed of Assignment, is now under the Management of the Fund;

(d) A housing/lot purchase loan under the Unified Home Lending Program (UHLP) with the Fund as a lending window;

(e) A Pag-IBIG housing/lot purchase loan availed of by a bona fide Pag-IBIG member under any of the Pag-IBIG Housing Loan Programs which has been subsequently and validly assumed by a person either through contract of sale with assumption of mortgage, assumption of mortgage or under legal orders duly issued by a competent court provided, however, said account is under the management of the Fund;

(f) Open housing loan accounts which were incurred by Pag-IBIG borrowers in excess of their loan entitlement under the National Home Mortgage Finance Corporation (NHMFC) Lending Program and which accounts were transferred/assigned by NHMFC to the Fund after the expiration of their Trust Agreement;

(g) A Pag-IBIG housing/lot purchase loan availed of by a bona fide Pag-IBIG member under any of the Pag-IBIG Housing Loan Programs which by reason of delinquency has been under foreclosure proceedings or has been subsequently foreclosed but still within the redemption period; and

(h) Loan obligation incurred by the member-borrower under any of the Fund's loan programs.

5. *Employer* — any person, natural or juridical, domestic or foreign, who carries on in the Philippines any trade, business, industry, undertaking or activity of any kind, and uses the services of another person who is under his orders 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;

6. *Employee* — any person in the service of an employer who receives compensation for such service;

7. *Housing Loan Borrower* — a person who has an outstanding housing loan account with the Fund;

8. *Due and demandable arrearages* — total unpaid principal and interest plus insurance premiums which form part of the unpaid amortizations due at the time of application for condonation of penalties.

9. *Restructured loan* — the due and demandable arrearages which were restructured within the remaining period of the loan in accordance with the Restructuring program of the Fund.

10. *Undue balance of the original loan* — the remaining balance of the principal and

interest plus insurance premiums after separating the due and demandable arrearages at the time of the application for condonation of penalties.

11. *Total outstanding housing loan* — the restructured loan plus the undue balance in the original loan.

12. *Default* — shall mean failure of the housing loan borrower/member borrower, his heirs, successors-in-interest to pay any three (3) consecutive monthly amortizations and/or monthly membership contributions and other obligations on the loan.

13. *Member-borrower* — a Pag-IBIG member who has an outstanding loan under any of the Fund's loan programs.

RULE III

CONDONATION OF PENALTIES UNDER SECTION 2 OF REPUBLIC ACT 8501

SECTION 1. Who may apply under this Rule. — Any housing loan borrower or in the event of his death, his heirs, or successors-in-interest, who has unpaid penalties on his housing loan with the Fund as of the effectivity of R.A. 8501 and has not yet availed of any previous condonation program from any government institution or agency involved in the National Shelter Program, may apply for the condonation of penalties under this Rule. A housing loan borrower or in the event of his death, his heirs, or successors-in-interest, who failed or refused to pay his monthly amortizations due to structurally defective or substandard housing units and/or subdivisions lacking in basic amenities such as water, light, drainage, good roads and others and as required by law, may likewise apply for condonation of penalties under this Rule.

SECTION 2. Condonation of Penalties After Full Payment. — All unpaid penalties on said housing loan shall be condoned after full payment by the housing loan borrower of all due and demandable arrearages composed of the principal and interest.

SECTION 3. Partial Condonation of Penalties. — In the event the housing loan borrower is able to pay only part of his/her due and demandable arrearages, only the penalties corresponding to the portion paid shall be condoned. Thus, the penalties to be condoned shall be proportionate to whatever downpayment is made on the restructured loan which downpayment shall not be less than ten (10%) percent of the due and demandable arrearages at the time of application for condonation.

SECTION 4. Restructuring of the Loan Balance. — The unpaid due and demandable arrearages after partial payment shall be restructured within the remaining period of the loan and to be paid together with the scheduled amortization for the undue balance of the original loan in accordance with the terms and conditions of both promissory notes. The uncondoned penalties shall be put in a suspense account until the total outstanding balance of the loan shall have been fully settled and satisfied. After full settlement of the total outstanding housing loan, the penalties under suspense account shall be condoned.

SECTION 5. Effect of Default. — In the event of default, the uncondoned penalties under the suspense account together with the total outstanding housing loan shall immediately become due and demandable.