

**[ HLURB ADMINISTRATIVE ORDER NO. 05, S. 2005, March 15, 2005 ]**

**RESOLUTION NO. R-770, FRAMEWORK FOR GOVERNANCE OF HOMEOWNER'S ASSOCIATIONS**

Attached herewith is a copy of HLURB Board Resolution No. R-770, series of 2005, *Framework for Governance of Homeowners Associations*, which was approved by the Board on 20 September 2004.

The above was published in the Philippine Daily Inquirer on 13 March 2005, and, in accordance with the provisions of law, shall take effect fifteen (15) days from its date of publication.

Please be guided accordingly.

Adopted: 15 March 2005

(SGD.) ROMULO Q.M. FABUL

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HLURB RESOLUTION NO. 770, S. 2004

FRAMEWORK FOR GOVERNANCE OF HOMEOWNERS ASSOCIATIONS

WHEREAS, pursuant to Executive Order No. 648, series of 1981, as amended, in relation to Republic Act No. 8763, Executive Order No. 535 series of 1979, and Presidential Decree No. 902-A, the Housing and Land Use Regulatory Board (HLURB) is charged with the regulation and supervision of the activities and operations of homeowners associations;

WHEREAS, there is a need to highlight the basic roles, powers and responsibilities of a homeowners association and its officers and members under existing laws and regulations;

WHEREAS, there is also a need to promote and operationalize the best practices and norms of good governance in the management of a homeowners association;

WHEREAS, the active and enlightened management of the affairs of a homeowners association will enhance the delivery of basic services to and promote the general welfare of its members;

NOW, THEREFORE, the HLURB, after a nationwide consultation with homeowners associations and concerned stakeholders hereby adopts the following Framework for the Governance of Homeowners Association:

I. PRELIMINARY PROVISIONS

**SECTION 1. Definition of Terms** – Unless the context provides otherwise the following terms shall be interpreted to mean as follows:

- a. "Association" refers to a homeowners association that is registered with the HLURB, or one previously registered with the Home Insurance Guaranty Corporation (now Home Guaranty Corporation) or the Securities and Exchange Commission (SEC) in accordance with law and shall include:
  - i. homeowner and lot owner/buyer in a subdivision project within the purview of P.D. No. 957 and related laws;
  - ii. an awardee, a lessee, and an occupant in a private or government housing or relocation project and other urban estates;
  - iii. an informal settler in the process of being accredited as beneficiary or awardee of ownership rights under the Community Mortgage Program, Land Tenure Assistance and other similar programs;
- b. "Board" refers to the board of directors or trustees of an Association that exercises, as a collegial body, all the powers duties and responsibilities relating to the administration, management and operation of an Association; and
- c. "Director" shall refer to a member of a board.

**SECTION 2. Registration** – An Association shall register with the HLURB in order to acquire juridical personality.

The officers or members of an unregistered association, or an unincorporated group of homeowners representing themselves as an association, or exercising the essential characteristics, rights and privileges of an Association, shall be personally liable for the obligations and liabilities that may incurred by the de facto association.

**SECTION 3. Genral Principles** – An Association should –

- a. endeavour to serve the interest of its members through equity of access in the decision-making process, transparency and accountability, and the promotion of security in their living environment;
- b. establish its vision, define and periodically assess its mission policies, and objectives and the means to attain the same; and
- c. without abandoning its non-partisan character;
  - i. actively cooperate with local government units and national government agencies, in furtherance of its common goals and activities for the benefit of the residents inside and outside of the subdivision; and
  - ii. complement, support and strengthen local government units and national government agencies in providing vital services to its members and in helping implement local government policies, programs, ordinances and rules.

II. ASSOCIATION MEMBERS

*SECTION 4. Qualification of members* - Unless otherwise provided in the by-laws, a member of an Association should either be:

- a. a homeowner, lot owner and lot buyer, or a mortgagee who becomes an owner by virtue of foreclosure of mortgage and consolidation of title in his name;
- b. a lessee under a contract with a term of at least three (3) years, in lieu of the owner of the leased property, if allowed in writing to be a member by said owner. However, where the Association dues are imposed other than on a per lot basis and both the owner and lessee pay said dues, both may qualify as members;
- c. an occupant by virtue of a subsisting usufruct in writing granted by the owner;
- d. a beneficiary or awardee under the Community Mortgage Program/Self-Help Land Acquisition Program/Group Land Acquisition Development Projects who is included in the registry of beneficiaries of the government financing institution concerned or its equivalent organization in the private sector; or
- e. the developer of the subdivision project who holds title to unsold lots or units.

*SECTION 5. Nature of membership* - Membership in an Association should be voluntary unless -

- a. the same is required under the deed restrictions annotated on the title of the property;
- b. is stipulated under the contract for the purchase of a lot in the subdivision project; or
- c. is a requirement for an award under a Community Mortgage Program project or similar tenurial arrangement.

*SECTION 6. Rights of members* - The members of an Association shall have the following rights:

- a. to vote in person or by proxy;
- b. to inspect Association books and records during office hours and to be provided with annual reports, including financial statements;
- c. to avail of all the services and facilities of the Association; and
- d. to enjoy all other rights as may be provided in the Association by-laws.

*SECTION 7. Duties of members* - A member shall have the following duties:

- a. to pay membership fees and dues and special assessments;
- b. to attend meetings of the Association;
- c. to support and participate in projects and activities of the Association; and
- d. to comply with all other duties as required by the Association by-laws, rules and regulations.

Non-compliance with any of the foregoing duties may be a ground for the imposition of sanctions against a member in accordance with the by laws.

*SECTION 8. Delinquent member* - The board should establish guidelines and procedures in determining who is a delinquent member i.e. "member not in good standing", and to prescribe the administrative sanctions against such member.

*SECTION 9. Due process* - The right to due process should be observed in cases where administrative sanctions are imposed on a delinquent member.

### III. BOARD

*SECTION 10. Composition of the board* - The board shall be composed of at least five (5) but not more than fifteen (15) elected members of the Association.

In no case shall lessees, occupants or developers as mentioned in Section 4 hereof constitute a majority of the board.

*SECTION 11. Size of board* - The board should examine or re-examine the number of its directors with a view to determining the impact thereof upon its effectiveness and to decide on what it considers as an appropriate size for the board that will facilitate effective decision-making.

*SECTION 12. Duties of the board* - The Board shall have the following duties and responsibilities:

- a. to prepare an annual program of activities and the corresponding budget, and identify sources of funding for the same;
- b. to adopt a uniform accounting system in the recording and preparation of its financial records, books and statements conforming to generally accepted principles of accounting and auditing and the standard form prescribed by HLURB;
- c. to adopt a system of internal checks and balances to safeguard the integrity of the operations of the Association;
- d. to have a working knowledge of the statutory and regulatory requirements affecting the Association;
- e. to institute and sustain continuing education on collective organization and mobilization of membership for the attainment of common goals; and
- f. to exercise such other powers as may be necessary and proper for the enforcement of the by-laws of the Association.

*SECTION 13. Imposition of toll, fees and bonds* - The board may require the members and non-members of the Association to pay a toll, fee or to post a bond for the use of roads and other facilities of the Association, the amount of which shall be approved by the general membership as being necessary to defray the cost of the operation and maintenance thereof: Provided, that the said roads and other subdivision facilities are being maintained by the Association.

*SECTION 14. Business of board* - The board should not engage in any business other than those that are incidental to the operations of the Association and should exercise its authority within the bounds of its articles of incorporation, by-laws and other existing laws, rules and regulations.

*SECTION 15. Matters for board decision* - The board should have a formal schedule of matters specifically reserved to it for decision.

*SECTION 16. Independent Board* - There should be a strong element in the board that is able to exercise objective judgment on Association affairs independently of its officers. No individual or small group of individuals should be allowed to dominate the Board's decision-making activities.

*SECTION 17. Performance assessment* - There should be a formal assessment by the Board of its effectiveness as a whole and the contribution of each director thereto.

#### IV. BOARD MEETINGS

*SECTION 18. Board meetings* - The board should meet regularly and whenever particular circumstances warrant as determined by its members.

*SECTION 19. Rules on meetings* - The board should adopt rules to govern its meetings.

*SECTION 20. Regular board meetings* - The board shall hold its regular meetings in accordance with the schedule set forth in the by-laws.

*SECTION 21. Personal Attendance* - A director should attend all board meetings in person. He may not attend or vote by proxy at board meetings.

*SECTION 22. Special board meetings* - Special board meetings may be called by its chairperson or by majority of the directors of the board.

*SECTION 23. Quorum in board meetings* - Unless the articles of incorporation or the by-laws provide otherwise, a majority of the number of directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of Association business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers, which shall require the vote of a majority of all the members of the board.

*SECTION 24. Number of board meetings* - The number of board meetings held in a year, as well as the attendance of every board member at those meetings and meetings of special committees established by the board should be disclosed in the Association's annual report.

#### V. GENERAL MEMBERSHIP MEETINGS

*SECTION 25. Regular Meetings* - The regular meetings of members shall be held at least annually on the date fixed in the by-laws. Written notice of regular meetings, including the agenda, shall be sent to all members at least two (2) weeks prior to the meeting unless a different period is required by the by-laws.

*SECTION 26. Special meetings* - The board may call special membership meetings at any time whenever it is deemed necessary, or as provided in the by-laws. A written notice, including the agenda shall be sent to all members at least one (1) week before the scheduled meeting, unless otherwise provided in the by-laws.

*SECTION 27. Quorum* - A quorum in general membership meetings shall consist of the majority of the members, unless otherwise provided for in the by-laws.

In the election of directors and officers, the by-laws may provide that only members of good standing shall be considered in determining a quorum.

*SECTION 28. Voting by proxy* - Members may vote in person or by proxy in all meetings of the Association.

*SECTION 29. Form of proxy* - Proxies shall be in writing and signed by the member. It shall be filed with the Association secretary before the scheduled meeting and duly validated in accordance with the by-laws.

*SECTION 30. Validity of Proxy* - Unless otherwise provided in the proxy or, in the by-laws, the proxy shall be valid only for the date of the meeting for which it is intended. No proxy shall be valid and effective for a period of more than five (5) years.

Direct member participation in Association affairs shall be encouraged and voting by proxy should not be allowed to enable an individual or group of individuals to subvert the true will of the members or to dominate the activities of the Association.

*SECTION 31. Voting by mail* - Voting by mail or other similar means by members of the Association may be authorized under such conditions as may be prescribed in the by-laws.

*SECTION 32. Voting rights in membership meetings* - A member, regardless of his standing, shall be entitled to vote on the following matters:

- a. amendment of the articles of incorporation;
- b. delegation to the Board of the power to amend or repeal the by-laws or adopt new by-laws;
- c. sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Association properties;
- d. incurring, creating or increasing bonded indebtedness;
- e. Increase or decrease of members' equity;
- f. merger or consolidation of the Association with another Association, membership in or disaffiliation from a federation, and segregation from the Association;
- g. use of Association funds in projects not otherwise included in the regular or approved program of activities and expenditures;