

AMENDED GUIDELINES ON THE PAG-IBIG DIRECT DEVELOPMENTAL LOAN PROGRAM

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Pursuant to the authority given by the Pag-IBIG Fund Board of Trustees to the Senior Management Committee in its 293[rd] meeting held last 26 March 2013 to issue the amended guidelines for the implementation of the Pag-IBIG Direct Developmental Loan, the following are hereby issued:

I. OBJECTIVE

The Pag-IBIG Direct Developmental Loan Program aims to increase the number of end-user availments by providing additional housing inventories through developmental financing.

II. LOAN PURPOSE

The proceeds of developmental loan may be used for any or all of the following purposes:

- Development of residential subdivision or medium rise residential buildings;
- Construction of units eligible for mortgage financing under the prevailing Guidelines of the Pag-IBIG End-User Home Financing Program. No part of the loan, however, shall be used to purchase a parcel of land.

III. ELIGIBILITY

- The developer/proponent must at least have an over-all score of seventy percent (70%) based on the credit scoring system to be eligible for the loan in accordance with the following weights:

1.1

For horizontal development projects, sixty percent (60%) shall be based on the financial performance of the developer/proponent while forty percent (40%) shall be based on the project evaluation.

1.2 For vertical development projects, seventy percent (70%) shall be based on the financial performance of the developer/proponent while thirty percent (30%) shall be based on the project evaluation.

A comprehensive evaluation of all on-going and prospective projects shall be conducted notwithstanding if only one or more of said projects is the subject of the developmental loan.

- The sales package of the housing units to be generated by the project should not exceed the appraisal value corresponding to the maximum loanable amount under the prevailing End-User Home Financing Program.

IV. LOAN AMOUNT

The amount of loan to be granted shall be based on actual project need as supported by cash flow projections and shall be subject to the following conditions.

- For horizontal development projects, the loan amount shall be based on whichever is lowest of the following:

1.1

Forty percent (40%) prudent production cost;

1.2

Developer's debt capacity; and

1.3

Single Borrower's Limit.

- For vertical development projects, the loan amount shall be based on whichever is lowest of the following:

2.1

Sixty percent (60%) of land development and building construction cost;

2.2

Developer's debt capacity; and

2.3

Single Borrower's Limit.

However, in no case shall the loan amount exceed Two Hundred Fifty Million Pesos (P250 M) for horizontal development projects or Five Hundred Million Pesos (P500 M) for vertical development projects.

V. INTEREST RATE

The direct developmental loan shall be charged an interest rate based on the result of the financial and risk evaluation on the developer.

VI. LOAN TERM

The term of the loan shall be based on the cash flow projection of the project; provided, it shall not exceed three (3) years.

VII. COLLATERAL

- The loan shall be secured by a first real estate mortgage on the real estate property subject of development, which should be free from liens and encumbrances.

- Pag-IBIG Fund shall allow partial releases of collateral; provided that, the loan-to-appraisal value after the release of collateral is maintained at seventy percent (70%).

VIII. LOAN RELEASES

- All loan releases shall be based on the cash flow projection of the project.

- Prior to loan release for horizontal development projects, the developer must have infused at least twenty percent (20%) of the prudent production cost as equity. For vertical development projects, the developer must have infused forty percent (40%) of the land development and building construction cost as equity prior to loan release.

In any case, the raw land value shall be considered as part of the equity.

- In case of Joint Venture (JV), wherein the land was contributed by one of the JV partners other than the developer, the developer-partner must infuse at least ten percent (10%) of the construction costs regardless of whether the value of the land is enough to cover the equity of the JV. This is to ascertain the commitment of the developer-partner to the project.
- The outstanding loan obligation at any given time shall not exceed seventy percent (70%) of the collateral value.

IX. LOAN PAYMENT

The loan shall be paid as follows:

- Interest

Interest on the loan shall be paid quarterly, with the first payment due at the end of the first quarter from the date of initial loan release.

- Principal

Payment to principal shall be made quarterly with the first payment due on or before the end of the eighteenth (18th) month from the date of initial loan release.

- Application of Takeout Proceeds

Application of takeout proceeds to the outstanding principal shall be based on cash flow projection; provided, it shall not fall below twenty-five percent (25%) of the takeout proceeds.

X. OTHER TERMS AND CONDITIONS

- Permits/Clearances

The following permits/clearances must have been secured by the developer/proponent prior to loan approval:

1.1

Development Permit

1.2

Environmental Compliance Certificate (ECC) by DENR

1.3

DAR Conversion or Exemption

1.4

Clearance to Mortgage from the Housing and Land Use Regulatory Board (HLURB)

1.5

License to Sell[*]

- Project Appraisal

Appraisal shall be conducted either by Pag-IBIG Fund, private appraisal companies or shelter agencies acceptable to Pag-IBIG Fund. In case of the latter, said appraisal should have been conducted not more than six (6) months

prior to loan application. The cost of the appraisal shall be for the account of the developer.

- Project Timetable

The construction of the project must commence within one (1) year from receipt of the Notice of Approval (NOA) and must be fully completed within the term of the loan. Failure to comply within the specified timeframe shall lead to the cancellation of the loan.

- Loan Processing Fee

The developer shall pay a processing fee of $\frac{1}{4}$ of 1 % of the approved loan amount or fifty thousand pesos (P50,000.00), whichever is lower, inclusive of a non-refundable filing fee of ten thousand pesos (P10,000.00).

- Service Fee

The developer shall pay a service fee equivalent to 0.1 % of the amount for drawdown.

- Penalties

Developer who fails to pay his obligations when due shall be charged a penalty of $\frac{1}{20}$ of 1% of any unpaid amount for each day of delay.

- Developers with an outstanding developmental loan may apply for a new developmental loan; provided, the developer meets the criteria for a new loan. The total debt shall be evaluated at any given time and must not exceed the Single Borrower's Limit.

- Cross Default

A default in one developmental loan shall entail a default in the other direct developmental loan.

- Pag-IBIG Fund may set additional requirements/conditions if circumstances warrant.

- Pag-IBIG Fund reserves the right to verify and reject applications that are found unacceptable to the Fund.

XI. APPROVING AUTHORITIES

All applications for direct developmental loan shall be subject to the approval of the appropriate level of signing/approving authorities.

XII. ESCALATION OF ISSUES

Any issue in the interpretation and implementation of these guidelines shall be resolved by the concerned officer or shall be escalated to the next higher approving authorities.

XIII. AMENDMENTS

The Senior Management Committee may amend, modify or revise certain provisions of these guidelines provided, that the amendments, revisions or modifications herein adopted are consistent with the mandate of the Fund under its charter and existing laws.

XIV. REPEALING CLAUSE

All previous Circulars or Memoranda in conflict or inconsistent with the provisions and/or purposes of this Circular are accordingly repealed, amended or modified.

XV. EFFECTIVITY

This Circular takes effect immediately.

(SGD.) ATTY. DARLENE MARIE B. BERBERABE
Chief Executive Office

[*] Prudent production cost shall mean, the relevant cost of the developer of the proposed physical improvements, using as basis the standards of HLURB for land development and construction. The improvements shall include buildings and utilities within the boundaries of the subject property, cost of land and construction costs (contractor's overhead, taxes, plans and supervision, permits, licenses and contingencies) but not including developer's profit or other charges, except for estimated depreciated cost of any existing utilities.

[*] May be submitted within six (6) months upon receipt of Notice of Approval (NOA), otherwise, the loan application shall be deemed cancelled.

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