

## LIMIT ON REAL ESTATE LOANS OF UNIVERSAL BANKS/ COMMERCIAL BANKS

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Pursuant to Monetary Board Resolution No. 68 dated 17 January 2008, the Manual of Regulations for Banks (MORB) is hereby amended.

SECTION 1. Section 1397 on Limits on Real Estate Loans of Universal Banks/Commercial Banks is hereby amended to read, as follows;

"Total real estate loans of UBs/KBs, excluding:

- a) Loans extended to individual households for purposes of financing the acquisition, construction, and/or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower, regardless of amount;
- b) Loans extended to land developers/construction companies for the purpose of development and/or construction of socialized and low-cost residential properties as defined under existing guidelines of the Housing and Urban Development Coordinating Council (HUDCC) for the implementation of government housing programs, which are intended for sale to individual households;
- c) Loans to the extent guaranteed by the Home Guaranty Corporation (HGC); and
- d) Loans to the extent collateralized by non-risk assets under existing regulations shall not exceed twenty percent (20%) of the total loan portfolio; net of interbank loans.

For this purpose, "real estate loans" shall refer to loans granted (a) to individual households for the acquisition, construction and/or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower, including loans granted to bank officers and employees for the same purpose which are covered by bank's fringe benefit plan and which plan was approved by the Monetary Board and (b) to land developers/construction companies and other borrowers for the acquisition and development of land and/or construction of buildings and structures, including housing units for sale/lease and/or for use in retail/wholesale, manufacturing or other income-generating purposes, including loans for the land development and construction of residential properties.

It shall not include loans for construction of highways, streets, bridges, tunnels, railways, and other infrastructure for public use.

Purchase by banks of receivables under Contract to Sell (CTS) executed between real estate developers and home buyers on a with recourse basis shall be considered loans to real estate developers and shall be classified as commercial real estate loans.

Trust departments of UBs/KBs shall be exempted from the prescribed limit on real estate loans.

Under existing HUDCC guidelines, socialized and low-cost housing loans are defined as follows:

Housing Package Loan Ceiling

Low-cost

Level 1-A (Socialized) P300, 000 and below

Level 1-B Above P300, 000 to P500,000

Level 2 Above P500,000 to P1,250,000

Level 3 Above P1,250,000 to P3,000,000

The revised template of Report on Real Estate Exposure, which shall form part of the Financial Reporting Package issued under Circular No. 512 dated 03 February 2006, as amended, for UBs/KBs and TBs is attached as Annex "A"[\*].

SECTION 2. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

Adopted: 04 Feb. 2008

**FOR THE MONETARY BOARD:**

(SGD.) NESTOR A. ESPENILLA, JR.  
Officer-In-Charge

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[\*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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