NATIONAL ADMINISTRATIVE REGISTER · MAY 30, 2005

# RATE REDUCTION AND RESTRUCTURING PROGRAM IMPLEMENTING GUIDELINES (RRRP), AS AMENDED

*GSIS RESOLUTION NO. 52, S. 2005, May 30, 2005*

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RESOLVED, to APPROVE and CONFIRM the Rate Reduction and Restructuring Program Implementing Guidelines (RRRP), as amended, embodying the comments of the Executive Vice President (Operations Sector) pursuant to Board Resolution No. 45 dated May 4, 2005, and other additional provisions to address the concerns raised by the Board, a copy of which is hereto attached and made an integral part of this resolution.

The Executive Committee on Housing shall be composed of the following:

Chairperson - EVP (Operations Sector)

Vice-Chairperson - SVP (HRPDG)

Members - Trustee Esperanza S. Ocampo

- Trustee Raymundo A. Lapating

- SVP (FOG)

- SVP, (LSG)

- VP, HFO

OPGM Representative

Secretariat - Manager, HFAD

It is understood that this Office Order replaces in its entirety Office Order No. 11-03 dated February 10, 2003 implementing the policies on Rate Reduction and Restructuring Program per Board Resolution No. 197 dated July 17, 2002.

This Office Order shall take effect upon Board approval.

Adopted: 30 May 2005 (Board Meeting No. 11)

IMPLEMENTING GUIDELINES ON THE AMENDED RATE REDUCTION AND RESTRUCTURING PROGRAM (RRRP)

The Board of Trustees under Resolution No. 52 dated May 30, 2005 has APPROVED and CONFIRMED the amendments to the Rate Reduction and Restructuring Program (RRRP). The approved amendments covers the policies/provisions of RRRP on:

1. Downpayment requirement
2. Condonation



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3. Repayment Term
4. Coverage
5. Documentary requirements
6. Highly delinquent accounts
7. Interest rate for non-members
8. Creation of Executive Committee

Embodied in this policy guideline are the comments of the Executive Vice President for Operations Sector pursuant to Board Resolution No. 45 dated May 4, 2005 and other additional provisions to address the concerns of the Board. Now, in order to effectively and uniformly implement the amended RRRP, this implementing guideline is hereby issued.

I. Definition of Terms

1. Outstanding Balance - total of principal, interest, penalties/surcharges, fire insurance premium (FIP), and sales/mortgage redemption insurance (SRI/MRI) premium (if policy has not been lapsed.)

2. Account in Default - account with arrears equivalent to at least three (3) monthly amortizations.

3. Non-Delinquent Account - account with arrears equivalent to less than three (3) monthly amortization.

4. Up-to-date Account - account with outstanding balance less than or equal to the theoretical balance.

5. Theoretical Balance - the principal balance if monthly amortizations are religiously paid in accordance with the amortization schedule.

## II. POLICIES

A. Coverage

1. The following accounts are covered by the revised RRRP:

1.1 Individual Real Estate Loan (IREL) accounts;
1.2 Deed of Conditional Sale (DCS) accounts;
1.3 "Bahay Ko" (BKP) accounts;
1.4 Lease Purchase Accounts of individual members;
1.5 Cancelled DCS accounts; and
1.6 DCS accounts resulting from sale of acquired assets

2. The following are not covered by the revised RRRP.

2.1 Fully paid IREL, DCS and BKP accounts; and
2.2 Foreclosed accounts

B. Requirements

To avail of the benefits of the revised RRRP, the applicant must satisfy all of the following requirements:

1. The applicant whether member or non-member has an outstanding account on IREL/DCS/BKP and LPA as of the month of application.

2. The applicant submits a duly accomplished application form signed by the principal borrower/awardee, including the co-maker(s) if any, buyer of rights/transferee, or the authorized representative together with the following documents:


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2.1 Latest payslip of principal borrower/awardee/co-maker and/or buyer of rights. In case principal borrower/awardee/co-maker/buyer of rights is retired or unemployed, proof of income must be submitted, such as:

2.1.1 Income Tax Return for the past 2 years;
2.1.2 Bank Statement;
2.1.3 Affidavit of Support;
2.1.4 Certificate of Pension
2.1.5 Others as necessary

2.2 Copy of a valid identification card, such as:

2.2.1 GSIS eCard
2.2.2 Passport
2.2.3 Driver's License
2.2.4 SSS ID
2.2.5 Company ID
2.2.6 Voter's ID
2.2.7 Senior Citizen's ID
2.2.8 Others as may be determined by GSIS

2.3 Commitment letter to pay either by salary deduction, issuance of post-dated checks or combination

2.4 Copy of the latest tax declaration

2.5 Others as may be required by GSIS.

Applications with incomplete requirements shall not be accepted.

C. Computation of Outstanding Balance

1. Reckoning Date

1.1 For Up-to-date and Non-delinquent accounts - The outstanding balance shall be computed as of the end of the previous month of application.

1.2 For accounts in default - The outstanding balance shall be computed as of the end of the month of application.

D. Terms and Conditions of RRRP

1. Condonation of Penalties and Surcharges

1.1 For IREL, DCS and LP accounts - all penalties and surcharges previously imposed shall be condoned.

1.2 For BKP accounts - all surcharges previously imposed shall be condoned. Penalties in the form of additional interest shall not be condoned.

1.3 For previously restructured accounts - all penalties and surcharges previously imposed from the date of last restructuring shall be condoned, except RA 8501.

2. Discount on Interest

Discount on unpaid interest shall be given to borrowers/awardees who will pay, partially or in full, their outstanding balances with the GSIS. The rate of discount shall be determined by the percentage of payment on the outstanding balance net of penalties (OBNOP) and discount on unpaid interest, as follows:


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Payment of OBNOP net of Discount Rate on Unpaid Interest

discount on unpaid interest

25% 10%

50% 20%

75% 30%

100% 40%

After determining the rate of discount on unpaid interest, the Required Payment (RP) must be made within the month of application and shall be derived as follows:

RP = [OBNOP - (Interest * discount rate)]* payment percentage

where OBNOP is Outstanding Balance Net of Penalties.

Payment Option

100%

75%

50%

25%

0%

Principal

678,000.00

678,000.00

678,000.00

678,000.00

678,000.00

Unpaid Interest

2,873,032.94

2,873,032.94

2,873,032.94

2,873,032.94

2,873,032.94


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OBNOP

3,551,032.94

3,551,032.94

3,551,032.94

3,551,032.94

3,551,032.94

Less: Discount

1,149,213.18

861,909.88

574,606.59

287,303.29

00.00

OBNOPD

2,401,819.76

2,689,123.06

2,976,426.35

3,263,729.65

3,551,032.94

% of Payment

100%

75%

50%

25%

0%

Required Payment

2,401,819.76

2,016,842.30

1,488,213.18

815,932.41

0.00

3. Minimum Payment Requirement


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No minimum payment required.

4. Restructured Balance

The amount to be restructured shall be the outstanding balance net of penalties/surcharges conditioned, partial payment and discount on interest, if any, plus, all foreclosure expenses incurred (REL accounts only), if any, to wit:

Outstanding Balance Net of Penalties
Less : Discount on Unpaid Interest
Partial Payment
---
Net Outstanding
Add : Foreclosure Expenses
---
Amount To Be Restructured

5. Due Date of First Monthly Amortization of the Restructured Account

The first amortization of the restructured account shall be due at the end of the month following the month of the restructuring Statement of Account (per Section D, Computation of Outstanding Balance).

6. Term of Payment

The borrower shall have the following options for the term of payment:

6.1 Remaining term of the loan, or
6.2 Maximum of twenty (20) years.

The twenty (20) years term, if availed, should not go beyond the 70th birthday of the applicant, otherwise, a younger and financially capable co-maker(s) must be designated subject to evaluation and approval.

7. Interest Rate

The restructured balance shall be imposed the "Bahay Ko" interest rates as follows:

7.1 For Members

Restructured Balance Interest Rate

7.1.1. P180,000 and below 8%

7.1.2 More than P180,000 but less than P300,000 10%

7.1.3 P300,000 and above 12%

7.2 For Non-members - same as the above

8. Repayment Scheme

8.1 For active members as principal borrower - the restructured account shall be repaid through salary deduction.

Any deficiency shall be covered by a salary deduction from the designated co-maker(s) and/or advance issuance of twelve (12) post-dated checks covering the deficiency for the succeeding twelve (12) months.

8.2 For non-members as principal borrower and co-maker - the restructured account shall be repaid through issuance of post-dated checks. Twelve post-dated checks shall be issued initially.

8.3 Every anniversary of the loan and every year thereafter until the loan is fully paid, the payor shall submit twelve (12) set of post-dated checks to cover the amortization for the following year without need of further demand. The policies and procedures on bounced check, which is covered in PDC Warehousing PPG shall apply.

9. Sales/Mortgage Redemption Insurance (SRI/MRI)

9.1 Re-insurance of the restructured account with lapsed SRI/MRI coverage (on original loan) shall be at the option of the borrower/awardee/buyer of rights/transferee, subject to all existing Optional Life Insurance policies.

9.2 Active SRI/MRI policy cover of restructured accounts shall remain in force but only for the amount corresponding to the present value of the original loan. The difference between the restructured amount and the present value may be insured but shall be subject to whatever actuarial adjustment there might be.

10. Penalties and Surcharges

Any arrearages incurred during the term of the restructured loan shall be charged a penalty of one percent (1%) per month until full payment or updating of such arrearages.

11. Processing Fee

A processing fee shall be collected from the applicant for each account availing of this program as follows:

11.1 Restructuring - P500.00 only
11.2 Subrogation - one-half percent (1/2%) of the original loan amount

12. Claims and Loans Interdependency Policy

Housing loan accounts of borrowers availing of this program shall not be subjected to the cross default policy (in reference particularly to policy no. 12.3 of PPG 168-02) as the account becomes current when restructured. However, restructured accounts which will accrue arrearages or become delinquent will be subjected to the provisions of the Interdependency policy.

13. Subrogation of Rights

Application for subrogation/transfer of rights shall be processed and approved subject to the submission of the following:

13.1 Deed of Transfer of Rights;

13.2 Special Power of Attorney;

13.3 Multiple subrogation/transfer may be allowed provided that all the corresponding contracts and other documentary requirements are presented to the GSIS for authentication;

13.4 Extra-judicial settlement and partition, if sale is after the death of the original awardee, to be published once a week for three (3) consecutive weeks, and an Affidavit of Publication; and

13.5 Authentication of legal documents, if it is notarized abroad.

The same terms and conditions as described under Section E, Terms and Conditions of RRRP shall apply.


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14. Special Provisions for Highly Delinquent Accounts

14.1 In order that the program may not be abused and taken advantage of to the disadvantage of the System, the following conditions shall be imposed on accounts without payments since take-out on highly delinquent accounts (more than five (5) years arrearages):

14.1.1 Require a co-maker with the following qualifications:

a. Must be an active GSIS member;
b. With higher paying capacity and sufficient net pay; and
c. Willing to execute an AUTHORITY TO DEDUCT from his salary

14.1.2 Strictly require the issuance of post-dated checks in case of insufficient net take home pay;

14.1.3 The delinquent account may only be un-CLIPPED upon satisfactory payment of at least nine (9) consecutive monthly amortizations.

14.2 For those who are retiring within twelve (12) months from RRRP availment and those who have already retired but whose payment of retirement benefits is pending due to housing loan arrearages:

14.2.1 Require a co-maker with the following qualifications:

a. Must be an active GSIS member;
b. With higher paying capacity and sufficient net pay; and
c. Willing to execute an AUTHORITY TO DEDUCT from his salary

14.2.2 Withhold an amount equivalent to twelve (12) monthly amortizations from the proceeds of the claim/benefits until the borrower has successfully completed nine (9) consecutive monthly amortizations, after which, the amount withheld may be released upon request of the borrower-retiree.

15. Restructuring Agreement

The restructured/subrogated account shall be covered by a Restructuring Agreement embodying the terms and conditions of this program. The provisions of the original contract shall remain in full force, except as amended herein.

E. Tagging of Electronic Records

Accounts restructured under this program shall be tagged as restructured and a new record shall be created or installed bearing a new account number as a result of the restructuring.

F. Availment of RRRP

RRRP can be availed of only once. Accounts that default thereafter shall undergo the usual cancellation and foreclosure process if not updated upon demand. In this case, the RRRP (as amended) shall be considered as unavailed and the account is reverted to its original state.

G. Evaluation of Applications, Approval/Disapproval and Reporting

All applications for restructuring shall be evaluated and approved/disapproved on a case to case basis by the Executive Committee on Housing. In this regard, applications from FODs shall be tabulated in a prescribed format and transmitted to the Excom as they come. The Excom shall be composed of the following:


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Chairperson - EVP, Operations Sector

Vice-Chairperson - SVP, HRPDG

Members - Trustee Raymundo A. Lapating

- Trustee Esperanza S. Ocampo

- SVP, FOG

- SVP, LSG

- VP, HFO

OPGM Representative

Secretariat - Manager, HFAD

In addition, the Committee shall submit monthly reports on the availment of amended RRRP to the President and General Manager and Board of Trustees.

H. Repealing Clause

This Implementing Guidelines replaces in its entirety Office Order No. 11-03 dated 10 February 2003 Implementing the Policies on Rate Reduction and Restructuring Program per BR No. 197 dated 17 July 2002.

This implementing guidelines shall take effect immediately.

Please be guided accordingly.

Adopted: 30 May 2005

(SGD.) ARNALDO C. CUASAY
Senior Vice-President, HRPDG

Noted:

(SGD.) ENRIQUETA P. DISUANCO
Executive Vice-President, Operations Sector

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