

ESTABLISHING A LAND INVESTMENT TRUST (LIT) AS A MEANS OF IMPLEMENTING THE NATIONAL SHELTER PROGRAM

LETTER OF INSTRUCTION NO. 1170, October 17, 1981

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TO:

Ministry of Human Settlements
Ministry of Finance
Central Bank of the Philippines
Philippine National Bank
Development Bank of the Philippines
Government Service Insurance System

WHEREAS, the National Government is committed to the objective of providing the prime necessities to every Filipino family namely, food, shelter and clothing;

WHEREAS, the Ministry of Human Settlements hereinafter referred to as "HUB" has initiated and is implementing the Bagong Lipunan Improvement of Sites and Services (BLISS) Program designed to provide housing and livelihood generating services;

WHEREAS, there is a need to support the National Government's Shelter Plan through the MHS by combining the resources in the form of acquired/foreclosed assets of the following institutions: PNB, DBP and GSIS, hereinafter referred to as the "Institutions".

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me under the Constitution, I hereby direct and ordain the following:

- LIT Program - There shall be established a Land Investment Trust (LIT) Program in the Ministry of Human Settlements (MHS). Such Program shall be administered regulated and managed by the MHS or an attached corporation designated by MHS. For this purpose, the MHS shall provide staff support to the Program. For CY 1981 an initial amount of P750,000.00 shall be released to the Program to cover personnel and operating expenditures including office equipment chargeable against the Special Activities Fund.
- Trust Purpose and Certificates. The institutions shall transfer in trust at book value to the LIT Program all acquired/foreclosed assets in the form of real estate which in the determination of MHS can be used in the establishment, development and support of housing and land development projects, or suitable to be sold/exchanged for assets to be used in housing and land development project. Such transfers shall evidenced by trust certificates may be of such class and may contain such design features corresponding to appropriate financial packages to be determined by the MHS in consultation with the Institution concerned.
- Development Fund. The MHS shall provide for the land development fund and related expenses. For this purpose, the MHS may source the funds required therefor through the flotation of bonds and other financial instruments or arrangements including but not limited to domestic and foreign borrowings.

- LIT Operations. The LIT Program shall implement the following operations:

a)

Mortgage/Credit Insurance - The MHS through its attached agencies shall insure and guarantee housing credits including credits extended for the acquisition of construction materials, the flotation of bonds by developers and other such packages related to housing and land development.

b)

Credit Supervision/Project Management - The MHS or its attached agencies shall provide technical assistance and other resources needed to see housing and land development projects through to their fruitful completion, such assistance to consist of interm funds underwriting, technology input services, project and operations management, funds and collateral controllership, and project turn-around management

c)

Developmental Mortgage Operations The funds thus generated from the LIT Program shall also be utilized for developmental mortgage lending to produce a sufficient housing inventory.

d)

Development Equity Operations To maximize the utilization of the LIT, MHS shall pool these funds for direct investments in developmental projects.

f)

Land Banking Operation - Landworkers/developers will form an association with land as their capital investment. The land shall be exchanged for shares of stock of the association and such shares shall be fully guaranteed by MHS or its attached corporation for purposes of security against debt, and may be openly traded in a Real Estate Exchange, Funds for this venture shall be initially provided from the proceeds of the Urban Land Reform Program per PD No. 1517

- Trust Certificate Redemption Redemption and Participation Redemption of the trust certificates shall be derived from the proceeds of the MHS' housing and land development project, and may come in the form of cash, bond or other marketable securities. The holder thereof shall be entitled to such returns, earnings or interest certificate so held or may share in the net income generated by the LIT from a project operation in proportion to the trust participation.

- Documentation. In order to ensure effective implementation of the land development undertakings of MHS, the Institutions shall grant to MHS such authorization, titles or rights as may be deemed necessary. MHS shall hold sole custody of such authorizations, titles or rights, and shall execute all necessary documentation to hold the assets in trust.

- Tax Incentives. Real estate taxes due on the assets transferred in trust shall remain at the rates and level prior to such transfer. Moreover, sale of the assets by the LIT Program to the buyers/ end users shall be exempted from transfer and documentary stamp taxes and gains from investments in the LIT Program made by the Institutions

and MHS or its attached agencies shall be exempted from income and gross receipts taxes.

- Implementing Rules. The Ministry of Human Settlements is hereby vested with authority necessary to promulgate the guidelines and rules to implement/operationalize the LIT Program.
- Repealing Clause. Any provision of laws, decree, executive order, ordinance, letter of instruction, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.
- Separability Clause. If for any reason, any section or provision of this Letter of Instruction is declared to be unconstitutional or invalid, the other sections or provisions hereof, which are not affected thereby shall continue to be in full force and effect.
- Effectivity. This Letter of Instruction shall take effect immediately.

DONE in the City of Manila, this 17th day of October, in the Year of Our Lord, Nineteen Hundred and Eighty One.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

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