PRESCRIBING THE GENERAL POLICIES AND IMPLEMENTING GUIDELINES ON THE UTILIZATION AND DISBURSEMENT OF THE OWWA EXPANDED LIVELIHOOD PROGRAM FUND

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In the interest of the service and pursuant to the authority vested by law to the Administrator of the Overseas Workers Welfare Administration (OWWA) Department of Labor and Employment (DOLE), the following guidelines and procedures in the utilization and disbursement of the OWWA Expanded Livelihood Fund (ELF) hereinafter referred to as the FUND, are hereby prescribed for the guidance and observance of all concerned.

I
GENERAL POLICIES

The FUND shall refer to the P 20 M revolving fund appropriated pursuant to Board Resolution No. 101, series of 1990, dated August 22, 1990. The Fund shall be requested quarterly based on the projected financial requirement of the Department. To effect fund transfer, a letter request address to the Administrator thru the Resource Management Department (RMD) shall be initiated by the Re-integration Programs Department (RPD). Upon approval of the request, the Fund shall be transferred and deposited in a current and savings account with the Land Bank of the Philippines (LBP) herein after referred to as the BANK under three (3) new accounts to facilitate fund transfer and disbursement.

The principal, interest earned out of the deposit/investment, the interest earned from the loan extended under the program the 2% surcharge on delinquent accounts, proceeds of the sales or acquired Assets and any special Appropriation shall form part of the FUND.

Uses of Fund - The P 20 M FUND shall cover the following items, to wit:

1. Bridge Fund for NLSF loan

2. Loan Fund for Non Collateralized Window

3. Seed Fund for Small & Microenterprise Financing Scheme

P 3.0 M
1.4 M
15.6 M
_____
P20.0 M

Item 1 shall be exclusively utilized for paying amortization to National Livelihood Support Fund (NLSF) in cases wherein actual collection is not sufficient to meet maturing obligation.

Item 2 shall be intended to finance socio-economic projects qualified under the Non-collateralized Financing Scheme (Non- colat). This scheme shall be fully decentralized and it's full implementation shall be entrusted to the Regional Units. This Fund shall be transferred to the Regional Units and shall be disbursed in accordance with

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this Memorandum and the Financial Management for Regional Operation. Each region is allocated a total of P100.000.00.

A Monthly Report on Disbursement shall be submitted to the Fund Management Division (FMD)-RPD for recording who in turn shall endorse the same to the Resident Auditor for post audit.

Item 3 shall be used to finance the multilevel livelihood program financing scheme classified as follows: Micro-enterprise financing, Small Enterprise Financing and Impact Project.

All applications filed under the NLSF-OWWA Tie-up but were not accommodated due to insufficient fund shall likewise be applied under the scheme aforementioned.

Non-Collateralized Loan Window - The non-collateralized loan window shall be available to individual projects which shall require additional capital of P5 ,000.00 and below and group loans of a P50,000.00 loan ceiling.

Instead of collaterals as loan security, a Guarantor System shall be utilized in the loan facility. The program shall accept individual as loan guarantor for individual loan and individual and/or organization for group loan.

Capital Build-Up/Incentive Scheme - Under the capital build-up scheme an individual loan availee under the Program shall be required to open a savings account (deposit only) with any reputable bank.

The proponent shall be required to deposit an initial P200.00 deposit from the savings account. The amount shall be considered a the proponent's equity for the project.

In the course of loan amortization, the proponent shall make a deposit equivalent to 25% of the amortization due on the loan per period aside from the payment of the regular downpayment of the loan to be paid under the Program.

The same shall apply to each group member of group proponents with individual projects.

The scheme for individual loan availees shall also apply to group proponent implementing a single project.

The Project Monitoring Officer (P.M.O.) shall inspect bank books of program availees to ensure compliance under the Program.

All programs availees shall be granted a privilege of applying for a re-loan upon loan maturity. The second loan shall be authorized subject to the recommendation of the (P.M.O.).

Withdrawal of any/all savings by the proponent under the Program shall be allowed upon loan maturity if the proponent does not intend to reapply for a new loan. Otherwise, withdrawal of any/all savings by the proponent shall only be authorized upon the maturity of the second loan, except in cases when the project requirement is above P5 ,000.00.

Proponents of both individual and group loans can only avail of the Program twice.

Guarantor System - Instead of collateral/s as loan security, a Guarantor System shall be utilized in the loan facility. The project shall accept individual as loan guarantor for individual loans and individuals or organizations for group loans.

Criteria For Qualification As Guarantor
For Individual as Guarantor:

1. He must not be a spouse of the applicant;
2. He must be locally employed; and

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3. His salary per annum must be P12 ,000.00 or more for individual projects and P100,000.00 for group projects, with Income Tax Return (ITR) or Certificate of Employment and ID card as proofs.

For Organization/s as Guarantor:

1. Must be duly registered with appropriate government regulatory agency; and

2. Current Ratio must not fall below 2:1

Micro-Enterprise Financing - Micro-enterprise Financing shall be open to all individual projects which require additional capital of over P500.00 to P15 ,000.00; and to group loan requiring additional capital of P5,000.00 to P500,000.00 but whose total project cost shall not exceed P 50,000.00.

Evaluation of project proposal under micro-financing shall be decentralized on a region-to-region basis.

Small Enterprise Financing - Small Enterprise Financing shall be open to individual/group projects which require an additional capital of over P15 ,000.00 to P50,000.00 whose total project cost shall not exceed P 1.0 M. Group loan shall have a loan ceiling P500,000.00.

Impact Projects - Impact projects shall be open to group project that will meet any or both of these criteria: 1) That the project has the potential to launch small ventures out of the original project industry and/or 2) That the project has a potential to have significant impact on the community especially with regard to employment generation and the fostering of self-reliance among the project participants.

Criteria for Impact Project Financing

1. Impact projects shall reach the greater number of beneficiaries aside from radiating significant influence in the community operation. Necessarily, impact projects shall be inter- sectoral in scope to be fully responsive to community development;

2. Impact project shall address the felt needs of the beneficiaries at the proper time;

3. Impact project shall establish both forward and backward linkages. This means that an original project industry must possess the potential consequent ventures. Backward linkages are ventures that shall service the needs of the original projects while forward linkages are ventures resulting from the operations of the original project; and

4. Impact projects shall not be divorced from social responsibility and shall not undermine the social values nor add to the existing ills that beset society.

Eligible Projects - The Fund for item no. 3 shall be used to finance agri-business, manufacturing, trading, transport, service oriented projects and other lucrative livelihood endeavors which may be considered by the RPD.

Project with short gestation period, fast sales turnover labor intensive and requiring less capital outlay shall be eligible under the program. The following are indicative but not exclusive list of projects.

1. Trading (i.e Sari-sari store, food vending, fruit and vegetables vending, garments trading, mini-mart, grocery, dried fish trading, rice/grain retailing ,etc.)

2. Light Service Oriented Business (i.e. small cafeteria, barber shop, beauty parlor, rice mill, roving thresher & etc.)

3. Agri-business (i.e. mushroom culture & spawn production, cutflower production, orchid growing, goat raising, cattle fattening, duck raising, black pepper, fruit & vegetable processing, meat & fish processing ceramic artwork production, pottery making, brick and tile production, production of essential oil from local

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plants, integrated coconut processing, soap making, table egg production, commercial dairy products, etc.)

4. Manufacturing (i.e. noodles, fish sauce, soy sauce, vinegar, native cakes and other delicacies, cereals, peanut butter, candies, tofu, etc.)

5. Transport Service (i.e. pedicab, tricycle, jeep, taxi and etc.)

Loan proceeds shall be used for working capital, site improvement, and or purchase of equipment/tools.

Loan Ceiling - Individual applicants shall have a loan ceiling of P50 ,000.00 and a maximum of P500,000.00 for group loans.

Interest Rate
Non-Collateral Loan Window -

Individual 10%
Group 6%
P500.00-15,000.00 12%
over P15,000.00 15%

Debt Equity Ratio -
1. Non-Collateral Loan Window 95:05

2. Micro-Enterprise Financing
85:15 for secondary beneficiary and group projects
95:05 for primary beneficiary

3. Small Enterprise Financing
80:20 for secondary beneficiary and group projects
85:15 for primary beneficiary

4. Impact Project with TPC
exceeding P1.0 M. 80:20

Eligible Borrowers - For Micro, Small Enterprise and Impact Projects

Primary Beneficiary - This refer to the OCW-Returnees or his immediate family whose overseas employment has ceased.

Secondary Beneficiary - This refer to the immediate family of an OCW who is still gainfully employed. The immediate family of the OCW refers to the legitimate spouse of a married OCW who bears his marital consent. In the case of single OCW his parents and single brothers or sisters may avail the loan provided with proper authorization from the OCW.

For Non- Colat - Dependents of deceased/disabled OCW's as well as those affected by man made or natural calamities or those who are not gainfully employed and could not produce collaterals.

Loan Requirements - All documents shall be prepared in quadruplicate to be distributed as follows:

Original Copy - COA-OWWA Resident Auditor
Duplicate Copy - FMD
Triplicate Copy - Regional File
Quadruplicate Copy - Proponent

Upon Application for Individual Borrowers

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1. Proof of OWWA Contribution;
2. Loan Application Form;
3. Business Plan;
4. Any document/s attesting to the applicant's identity/ relationship to OCW: Birth Certificate of OCW in case she/he is single OCW: authorizing his/her parents to borrow: Death Certificate of deceased OCW-Spouse.
5. Latest Residence Certificate
6. Pertinent Business Permit/Licenses

For start-up/revival pre-release condition

On-going upon application

Loans applied under the Non- Colat shall be exempted in securing Business Permit/Licenses except for group loans.

Loans intended for the purchase of vehicles shall only be required to present pertinent license after thirty (30) days from date of purchase.

Backyard livelihood projects shall be exempted from securing Municipals/Mayor's Permit except for applicants in Metro Manila and other highly urbanized cities.

8. Marital Consent/Authorization
9. Marriage Contract or Certificate/Affidavit from two (2) disinterested person in case of cultural minority applicants; Affidavit of Separation (at least 5 years separated)
10. Promissory Note;
11. Deed of Mortgage;
12. Affidavit of Good Faith; and
13. Other pertinent documents require under the non-cola and other requirement that RPD may require.

Upon Application for Group Loans -

1. Ratified Group By-Laws;
2. Minimum organizational structure of a head of the Organization and a collection officer;
3. A Certificate of Good Standing in the Community issued by the Barangay Chairman;
4. A group Resolution authorizing the organization Head to contract the loan on their behalf;
5. A written and official recommendation from the OWWA Regional Office/RDD Project Officer that the group is cohesive enough for collective undertaking:
6. Profit Sharing Agreement
7. A special power of attorney authorizing the group head to mortgage personal and real estate properties of group members; and
8. Other requirements as may be prescribed by the OWWA-RPD.

Collateral Requirements

Non-Collateral Loan Window 00%
Micro-Enterprise Financing 85%
Small Enterprise 100%
Impact Livelihood Financing as classified

Real Estate:

- Photocopy of Certificate of Land Title
- Tax Declaration
- Current Realty Tax Payment Receipt

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- Tax Payment Clearance
- Location Map Plan with Vicinity Map

Ancestral Lands:

a. Submission of current Tax Declaration;

b. Submission of the Certificate on Non-Tax Delinquency;

c. It shall be responsibility of the Regional OWWA Unit to validate the present status of the subject real estate property from the City or Provincial Assessors Office where such property is located

d. Registration or annotation of the same transaction before the Registry of Deeds where the property is situated;

e. Recording or annotation of the same transaction before the appropriate City or Assessor's Office; and

f. Approval given by the Secretary of Agriculture or it's duly authorized representative on the particular mortgage transaction (par. 2, sec. 6. P.D. 410).

Chattel-Motor vehicles - Complete listing of vehicle to be mortgaged using prescribed format. Supporting documents as follows:

a. Registration Certificate
b. Insurance Policy Coverage (Pre-released condition)

Home Appliance
- Proof of Ownership
- Deed of Ownership or Donation

Loan Factor - All depreciable collaterals shall be valued/appraised at Net Book Value. Land shall be appraised at one hundred (100%) percent of present market value. Loan Factor shall be as follow:

Project Asset

Personal Asset

Real Estate

95%

90%

Building/Residence

80%

70%

Vehicle

80%

70%

Machinery and Equipment

80%

80%

Furniture and Household Appliance

80%

70%

Straight-line method in computing depreciation shall be followed. The following economic life shall apply for uniformity purposes:

Estimate Economic Life (In years)

Building

Concrete/Permanent 10
Light Materials 5

Building Improvement/Renovation

Concrete/Permanent 7
Light Materials 5

Vehicle

Four wheeled brand new 5
Four wheeled reconditioned 4
Three wheeled brand new 3
(mechanical)
Three wheeled reconditioned 2
(mechanical)
Three wheeled brand new 5
(motor driven)
Three wheeled reconditioned 4
(motor driven)

Machinery and Equipment
Motor Driven 7
Mechanical 5
Furniture 5
Home Appliances except 7
gas range
Gas Range 5

Registration of Mortgage Paper - Chattel/Real Estate Mortgage shall be registered with the Registry of Deeds. For collaterals to be purchased out of the loan proceeds, registration shall take effect immediately after the purchase of the unit. The proponent accompanied by the P.O. shall register the Deed of Mortgage at the expense of the proponent.

For the purchase of motor vehicles, registration shall also be effected only after the purchase of the unit. All vehicles offered as Collateral shall be annotated by the Land Transportation Commission.

II

IMPLEMENTING GUIDELINES

Loan Applications - The P.O. shall interview prospective applicants to ascertain whether an applicant shall qualify under the lending policies and guidelines of the program.

Qualified beneficiaries shall be further probed to gather relevant preliminary date and information on their proposed/existing business.

On site inspection shall be schedule by the P.O. to validate the data and information on the existing or proposed projects as gathered during the preliminary interview. Proponent in need of assistance in project identification as well as those who still lack the necessary skills in project management shall be required to undergo appropriate trainings. Two (2) types of Business Skills Training shall be offered according to the educational qualification of the client, to wit:

1. Ladderized Entrepreneurial Career Development Training
2. Enterpreneurship Development Training Appreciation Course

Livelihood Skills Training On Specific Business Venture shall likewise be offered by the regional office in coordination with tie-up agencies. This type of training provides individuals with appropriate technology with regards to their specific projects.

Evaluation - The Regional OWWA Unit Supervisors shall endorse requests for evaluation to the ELDD with a minimum of five (5) projects. The request shall include a suggested itinerary by the region. Such request shall be properly recorded by the Project Assistant (P.A.).

No request for evaluation shall be granted as long as there are pending on the region which have been validated already. If for any reason, a validated project has been deferred or withdrawn or disapproved in the regional level, the regional unit shall inform ELDD in writing prior to submission of request for evaluation.

Only loan application with complete documentary requirement shall be included in the validation. It is imperative that the P.O. must have visited the project site and inspected the collaterals offered prior to evaluation.

Different Site for Collateral Location - Complications however are foreseen in the case of locations spanning different regions. In order to accommodate this peculiar circumstance, the following policies shall govern:

I
NATIONAL CAPITAL REGION (NCR) - REGION

a. If the loan application originates from the Regions and the collaterals are situated in the NCR, the originating region shall notify the ELDD in writing and the latter shall accomplish the collateral valuation prior to the project site validation. In the notice, specific details of the assets offered as collateral shall be included so as to preclude indiscriminate disclosure by the client.

b. If the loan application is from the NCR, the unit shall request the concerned region to do the initial collateral valuation. The final appraisal shall be included in the regional validation/evaluation.

II
REGION - REGION

The region to which the loan application has been filed shall be considered as the originating region. It shall request in writing the Regional OWWA Unit where the assets are located to do the initial appraisal. The pertinent details shall be supplied by the requesting region. It shall be the responsibility of the region where the assets are

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located to include the site validation in their Regional Validation/Evaluation. This responsibility shall include checking the Local Registry of Deeds or it's equivalent agency if indeed the legal documents were annotated and the encumbrance registered when loan application shall have been approved.

In as much as the case in point is peculiar, it shall be the responsibility of the originating units to explain to the applicants upon application of the process to be undertaken and the necessary lag time involved.

The final appraisal of assets offered as security shall be the incorporated in the itinerary of the ELDD. As such, the originating unit shall adjust to the evaluation schedule of the region where the assets are located.

The Chief of ELDD shall schedule regional evaluation. Project Evaluator (P.E.) shall rotated from time to time. Upon such scheduling, P.E. shall take custody of the loan documents of the clients for evaluation. He shall review the project documents before field validation.

The Sr. Project Officer/Supervising Project Officer shall conduct final evaluation for loan amount not exceeding P15 ,000. Loan applications exceeding P15 ,000.00 shall be evaluated by ELDD. For loans qualifying the Non-Colat financing scheme, approval and loan release shall be fully decentralized.

An Evaluation Report shall be submitted to the ELDD containing findings and recommendations. The Chief of ELDD shall in turn submit such report to the RPD Head after review for final approval.

Pursuant to the decentralization of top management responsibility or certain line function of the Secretariat, the Department Head shall be the approving authority for the loan up to P50 ,000.00 and the Deputy Administrator shall be the approving authority for group loan involving amount beyond P50,000.00 to P500,000. Loan for impact projects exceeding P500 ,000.00 shall be approved by the Board of Trustees.

FUND RELEASE/ACCOUNTING SYSTEM

For Micro, Small And Impact Project - All approved loans endorsed by the project ELDD shall be recorded by the P.A.. It shall be forwarded to the Chief of the FMD to initiate Disbursement Voucher (D.V.) preparation. In no case shall FMD accept loan docket from ELDD when it is not in order and/lacks necessary attending documents.

D.V. shall be prepared by the P.A. upon request of the FMD Chief. It shall be certified by the Department Head that the disbursement is necessary, lawful and incurred under her direct supervision. The RPD Accountant shall prepare the accounting entries, index account codes, indicate voucher number; certify that the expenditure is proper, that there is adequate funds available and that it is supported by documents appearing legal and proper. The D. V. shall be forwarded to the Internal Audit of the Office of the Administrator to initiate the approving portion for the Deputy Administrator prior to final approval. Only approved D.V. shall be issued check to be prepared by the Cashier of the Department, signed by the Department Head and the FMD Chief. Checks for regional proponent shall be released through the Regional Extension Service to regional units. NCR checks shall be released direct to proponent where loan is intended for working capital and to the supplier when loan is intended for the purchase of machinery and equipment.

Work Flow

Responsibility Center

Process

1

Project Assistant

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Prepares and signs the D.V. upon request of the FMD Chief.

2

Division Chief, FMD

Accomplishes and signs the requisition of the DV.

3

Project Assistant

Accomplishes the Paying Agency and Name/ Address of Claimant/ Payee of the D.V. under no circumstances should a D.V. be issued to "Cash" or "Bearer".

Accomplishes the Particulars of Payments of the D.V. to show:

a. brief, concise/ complete statement of the nature of the transaction.

b. the necessary document attached to support the validity of the claim.

c. the amount proposed to be paid should be written in words and figure.

4

Manager, RPD

Accomplishes and signs Certification Box No. 3 of the D.V. to certify that the disbursement requested is lawful and incurred under her direct supervision.

5

Accountant, RPD

Prepares the accounting entries; indexes the account; and indicates the voucher number. Signs and certifies that adequate funds are available, expenditures properly certified; claims supported by documents appearing legal and proper; account code proper; Box 4 of D.V.

6

Internal Audit

Verification and internal control purposes.

7

Deputy Administrator

Approved D.V.; Box No. 5.

8

Cashier

Prepares Check.

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9

Division Chief-FMD

Signs check for P50 ,000 and below.

10

Program Manager

Countersigns check for P50 ,000.00 and below. Check in excess of P50 ,000.00 but not over P100,000.00 shall be countersigned by the D.A. and signed by the Department Head. Check in excess of P100,000.00 shall be countersigned by the Administrator and signed by the D.A.

11

Cashier

Releases check to OCW applicant in Metro Manila.

12

Proponent

Receives and signs the D.V. upon the receipt of the Check.

13

COA Representative

Post-audit action.

Non- Colat - To fully implement the decentralization of the non- Colat Project, accounting/bookkeeping of the same shall be handled by the Regions concerned in accordance with the following guidelines:

1. Funds for the Non- Colat in the RO shall be coursed through the Regional Offices of the DOLE which the latter shall hold in trust. The DOLE shall issue an official receipt to properly acknowledge the acceptance of the trust.

In this regard, the RO shall open new bank accounts which will be used exclusively for the non- colat.

2. To ensure uniformity of accounting treatment, it is suggested that the accounts and account codes below be used by the RO.

ACCOUNTS

ACCOUNT CODE

PARTICULARS

Cash in Bank

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8-70-315-NCR

8-70-315-CAR

8-70-315-I

8-70-315-II

8-70-315-III

8-70-315-IV

8-70-315-V

8-70-315-VI

8-70-315-VII

8-70-315-VIII

8-70-315-IX

8-70-315-X

8-70-315-XI

8-70-315-XII

To be used whenever cash and/or checks are involved in the transactions.

(Regional offices shall use their respective code as shown right. Thus, Region I shall use 8-70-315-II, etc)

Accounts Rec'ble

8-71-908-II

To be debited/credited when issuing a check and/or receiving payments from the clients.

Trust Fund

8-84-901-II

This account represents the amount RO holds in trust for OWWA-Manila. It will be closed once the amount is returned to the Central Office (CO) or when the objective of the non- colat has been attained.

Interest Income

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1-56-300-II

This comprises income derived from receivables and the quarterly interest earnings from bank accounts.

Miscellaneous Income

1-58-300-II

This is used when a penalty is imposed due to late payment of accounts.

Withholding Tax Expense

3-06-302-II

This pertains to the 20% tax on interest earned on bank deposits.

Bank Charges

3-06-301-II

This is the amount imposed by the banks as fees on our account.

Miscellaneous Expense

3-06-306-II

All other expenses not falling on any of the above should be entered in this account.

> 3. Except for non- colat applications in the NCR, the processing of the D.V. shall be exclusively handled by the Region concerned. All such vouchers appertaining to the non- colat shall be processed in accordance with the present procedure.
>
> 4. Bookkeeping/accounting functions shall be performed by the person (with some knowledge of accounting is preferred) specifically authorized by the ROU Supervisor for the purpose. Accordingly, he shall use the prescribed accounts and account codes shown in the examples below:

TRANSACTIONS

ACCOUNT CODE

DR.

CR.

1. Receipt of Funds from CO.

8-70-315-CAR

8-84-901-II

100,000.00

100,000.00

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2. Grant of Loan

8-71-908-II

8-70-315-CAR

5,000.00

5,000.00

3. Receipt of payment of receivables with interest and penalty

8-70-315-CAR

8-71-908-II

1-56-300-II

1-58-300-II

550.00

500.00

40.00

10.00

4. Interest income from savings account

8-71-315-CAR

3-06-302-II

1-56-300-II

150.00

30.00

180.00

5. Bank service charge

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3-06-306-II

8-70-315-CAR

100.00

100.00

6. Cancellation of checks

8-70-315-CAR

8-71-908-2

5,000.00

5,000.00

The accountant/bookkeeper in the different RO shall maintain three (3) books and a general ledger. The books to be kept are the Cash Disbursement Book (CDB), Cash Receipt Book (CRB) and the General Journal (GJ).

The CDB shall be used to record all cash/check disbursements.

Payments made during a period shall be recorded in the CRB. It must appear in the CRB the date of the payment, official receipt, the amount of the payment and a brief description of the purpose of the payment.

All other transactions that cannot be recorded in the CDB and the CRB shall be recorded in the GJ.

At the end of each month, or a few days thereafter, all accounts entered in the books shall be summarized and the totals entered in the general ledger. Balances appearing in the ledger shall serve as the bases for the preparation of the financial statements.

7. For better control of the loans given to the proponents, a Subsidiary Ledger (SL) shall be maintained for each client. Said SL shall contain the following: 1. Name of the Client 2. Address of the Client 3. Amount of Loan 4. Monthly amortizations 5. Date of payments 6. Official Receipt Number 7. Interest Paid 8. Penalty, if there is any, and such other valuable information as may deemed necessary.

(F/S of RPD shall be forwarded to the Manager, RPD, thru the Chief, Financial Management Division (FMD)

9. Upon receipt by the FMD of all the F/S of the regions they shall be consolidated into one report and will be submitted to the Accounting Department for further consolidation.

10. Personnel of the FMD-RPD shall go on periodic regional visits for monitoring and/or assisting purposes.

Mode of Release - Releases of loan shall be based on projects needs, loans intended for working capital or site improvements shall be released on a lump sum basis, if the project shall need an equity participation, the P.O. shall see to it that the participation of the proponent had been complied with before the loan shall be released, loan intended for the purchase of machinery shall be released to the proponent except for NCR wherein releases shall be payable to the supplier. In cases however where direct payments cannot be made, the P.O. accompanied by the proponent, shall pay the Vendor/Supplier.

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Check Release - Checks shall be released to the proponent only after compliance of pre-release conditions and proper identification. Checks released for the month shall be summarized by the FMD Cashiers using the Report of Check Issued by the Deputized Disbursing Officer copy furnished the COA-Auditor and FMD Accountant.

Project Monitoring - Project implementation is the most crucial phase of the project development cycle. This is also the stage where, among other things, the validity of the assumptions used in the documentation and the design of the project shall be determined.

One PMO primary concern therefore, shall be the installation of a system designed to identify favorable/unfavorable variance to project implementation as planned so as the proponent and other responsible units in the organization can effect timely corrective measures to enhance success of the project.

Upon release of the loan, the proponent shall be given proper orientation on the following:

1. The salient provisions of the Promissory Note and the Deed of Mortgage;

2. The importance of the Business Plan as useful guide in project implementation and the need to abide with the stipulations and provisions of the study is given emphasis.

3. Policies with regards to monthly amortization and penalty charges for delayed/delinquent payment shall be duly stressed.

Upon orientation, the proponent shall be provided with forms as well as instructions on their use.

Initial visit to the project site shall be conducted within fifteen (15) days after loan release, primarily to ascertain and ensure the proponent's adherence to the approved loan utilization schedule and gathering of other related data on diagnostic project.

Regular visits shall be conducted once a month for the first three (3) months for newly funded projects. For projects that have attained a level of relative stability, proponents shall be required to submit accomplished forms at the frequency that shall be determined by the P.M.O. for monitoring and diagnostic purposes.

A progress report shall be prepared by the P.M.O. after every visit.

A Terminal Report shall be prepared by the P.M.O. upon full payment of the loan. This shall serve as the basis in granting re-loan.

For efficient program monitoring by the Head Office, projects monitoring reports emanating from the different region shall be submitted seven (7) days after the reference month.

Consultancy - Provisions for extension services shall come from two (2) sources., namely: referral from the P.M.O. and request for assistance from the entrepreneur himself.

Referrals for consultancy coming from the P.M.O. shall be logged for proper control, afterwhich they shall be deliberated with the Supervisor to further assessed findings and recommendations. They shall likewise discuss the course of action as well as the type and extent of intervention.

Walk-in clients shall be entertained by the Sr. P.O. who shall accomplish the Intake Form. In cases wherein the presenting problem is specific and the Unit has immediate access to the solution(s), the requesting party shall be provided with consultancy services outright and a Report shall be made immediately.

Penalty Charges - All delinquent accounts shall bear an additional surcharge to two (2) percent per month. Exemption for penalty charges shall be approved by the Program Manager in cases wherein the proponent fail to pay on due dates because of inevitable circumstances.

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Collection Process - The collection process shall progress through three (3) stages: reminder, follow-up and drastic action stage.

1. Reminder. The borrower shall be furnished a monthly statement of his account. This shall serve as a reminder and shall give the borrower an opportunity to check the accuracy of the amount. Likewise, this shall forestall any possible excuse by the borrower for non-payment.

The Monthly Statement shall be prepared by the P.O. of the unit regardless of the age of the account to reflect outstanding balances.

2. Follow-up. This shall call for a schedule of successive actions to be applied at regular interval, involving sending of follow-up letter, telephone calls and telegram.

3. Drastic Stage. If the reminder and follow-ups fail we shall resort to collection through an attorney. An account should not be placed in the hands of an attorney until all other means have been exhausted.

Payment - Partial payments shall be applied in this order. First to penalty, second to interest and third principal. Personal checks shall not be honored.

In cases wherein a client decides to settle his account in full prior to maturity date, he shall be exempted from paying the unearned interest.

Remittance of Collection - All amortization payments shall be paid at the OWWA Office or at its regional units. An Official Receipt shall be issued upon receipt of the payment. All collections made for the day shall be recorded in its respective Cash Book and immediately deposited with the Bank the following day. Different Cash Books for the different accounts shall be maintained. This shall be closed at the end of every month.

The BANK shall be used as depository for all payments made relative to the loan extended under the different financing scheme of the expanded livelihood program. In no case shall the OWWA Regional Units be allowed to withdraw funds from the account in any form. In remitting collection the P.O. shall accomplish three (3) copies of the deposit slip to be machine validated by the BANK teller upon deposit. The second and third copy shall be retained by the P.O to serve his needs for reconciliation with the OWWA Head Office. Every first Wednesday of the succeeding month, the BANK concerned shall automatically debit all deposits for the month, exclusive of the initial deposits and the interest earned thereof thru telegraphic transfer for credit to the main accounts. Telegraphic charges shall be paid by the Regional Units chargeable against their Bank charges allocation.

Within five (5) working days after the reference month, the regional units shall furnish the Head Office with a Collection Report accompanied by Official Receipt and validated deposit slips to the FMD for updating subsidiary ledger.

The P.O. of the FMD shall collate/summarize all reports of collection submitted by the regional units. The RPD-accountant shall record them in their respective journals.

Restructuring - Loan restructuring shall be prepared/recommended by the P.O ./P.M.O.

Requests for restructuring shall be granted only on the following conditions:

1. When business is hardly hit by natural calamity i.e. typhoon, flood, earthquake, drought, crop infestation, pestilence and the likes;

2. When business is struck by man-made calamity i.e. arson, power interruption 'causing projects to operate below projected capacity level, robbery, civil disorder and the likes;

3. When client met an accident, contracted a disease or injury causing project to close shop or to operate below

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normal level;

4. When loan release is made within the business cycle and the amortization due date does not fall during the harvest season;

5. When projects with semi-annual/annual gestation period are erroneously extended a monthly repayment term;

6. High/optimistic projections in the documentation process that were not realized in the actual business operation;

7. When the project is liquid that the proponent wishes to shorten the loan term;

8. When all other means have been exhausted and the proponent has no other choice but to continue drawing out funds from the business for basic personal necessities.

Request for loan restructuring shall be denied under the following circumstances:

1. Mismanagement of business operations;

2. Diversion of funds without prior notice from the office causing low sales.

Loan restructuring extending beyond the original term shall need the approval of the Program Manager.

Re-Loan - Availment of re-loan shall undergo the same process. Only preparation of loan proposals shall be abbreviated inasmuch as data needed shall be culled from the periodic monitoring reports. All re-loan proposals must satisfy the following condition:

1. The loan must be fully paid or in the case of pretermination, the loan must be within the last quarter of it's term;

2. The projects must be in the same business line as the original proposal;

3. Collateral coverage shall be not less than the requirement;

4. There must be no other source of income for the proponent; and

5. There must be a favorable Terminal Report containing actual as well as projected financial statements.

Default on payment within repayment term shall be considered provided:

1. OWWA was informed;

2. It was done in good faith; and

3. It is a sound business decision.

Aside from the conditions earlier mentioned, all re-loan proposals must include an update of the following requirements:

1. Application Form

2. Marital Consent

3. Permits and Licenses

4. Residence Certificate

A re-loan proposal shall be only served once.

Foreclosure - On Real Estate Mortgages:

1. The Regional Units shall send first a demand letter to the delinquent clients for settlement of their obligations;

2. If the above fails, the Legal Counsel shall send the final demand letter for final settlement of their accounts;

3. If the proponent fails and continues to ignore the demand, the Legal Counsel shall file extra-judicial foreclosure with the Sheriff's Office, pursuant to the provisions of Act 3135 as amended by RA 4118;

4. Since this involves extra-judicial foreclosure in real estate mortgage, notice to mortgagor is imperative;

5. If mortgagor fails to reply, a foreclosure proceedings in order;

6. After filing, a notice shall be sent to mortgagor, informing the latter that the foreclosure proceedings has already been filed against him/her;

7. A client properly notified cannot later on seek relief from the court alleging non-notification or assailing the procedure taken;

8. Publication of the extra-judicial sale shall be contemplated in a newspaper of general circulation for three (3) consecutive weeks;

9. Redemption shall take effect one (1) year from the date or registration of the Certificate of Sale with the Registry of Deeds;

10. After one (1) year, the highest bidder shall petition the sheriff who conducted the auction sale to issue the final deed of sale.

On Chattel Mortgage -

1. The Regional Units shall first send a demand letter to delinquent clients for settlement of their outstanding obligation;

2. If the above fails, the Legal Counsel shall send a final letter for final settlement of their accounts;

3. If the delinquent clients fail and continue to ignore the demand, then the Legal Counsel shall file extra-judicial foreclosure with the Sheriff's Office pursuant to the provisions of Act 1508;

4. No notice is needed in chattel mortgage since mortgagor might abscond with the property mortgaged; no publication is likewise required in this instance; but posting of notice of the sale in conspicuous places is required, from five (5) to ten (10) days, but in no case to exceed ten (10) days;

5. Certificates of sale issued to the highest bidder is final: no redemption is required;

6. The property seized by the Sheriff should be placed under his custody for five (5) to ten (1)) days. To the sheriff is reposed the responsibility of hiring guards, deputized by him to protect the chattels; and

7. The Mortgagee (OWWA) pays for the services of the guards, sheriff's fees and other expenses.

On the Bidding Proper -

1. If no bidder appears, the mortgagee will be declared the highest bidder;

2. In both cases (real/chattel) OWWA must set a floor price and set a starting bid;

3. The sheriff shall preside over the sale per the rule of extra-judicial foreclosure; and

4. Proceeds of the sale shall be applied to the outstanding balance of the loan. In cases of deficiency, the

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mortgagee is not precluded from instituting a separate civil action for the recovery of a sum of money.

This Memorandum supersedes previous issuances which are inconsistent with these provisions and shall take effect immediately.

For compliance.

Adopted: 04 Sept. 1990

(SGD.) ATANACIO V. MARONILLA
Administrator

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