

Fast Facts on Housing Loan Receivables Purchase Program

The National Home Mortgage Finance Corporation (NHMFC) is a Secondary Mortgage Institution (SMI) with the primary purpose of attracting long term investments through the issuance of housing bonds or other securities in order to increase liquidity in the housing sector and to purchase residential loans/mortgages/receivables originated by both public and private institutions and developers that are within government-approved standards.

What is the process in the secondary mortgage market?

When institutions grant housing loans, they initiate the original transaction in the creation of mortgages which are then purchased by NHMFC, thus forming the primary segment of the mortgage market. When NHMFC trades these mortgages through the issuance of securities/bonds, it is able to tap private or public investments as source of funds for a sustainable housing finance. This completes the process of the secondary mortgage market.

What is the role of NHMFC as SMI?

NHMFC's commitment to and actual purchase of mortgages and housing loan receivables assure originating institutions of the immediate recovery of their liquidity as it consequently assumes the long-term risk of home lending and other modes of home financing. Being thus relieved of risk and assured of liquidity, originating institutions are effectively reinforced and enabled to lend to more home borrowers. Meanwhile, the viability of the process is further firmed up for the originating institutions as they earn fees for the monthly servicing of loan repayments. Finally, with NHMFC's trading of the asset-backed and government guaranteed housing bonds or other forms of securities, funds are generated which are again flowed back into home financing. This recycling process overcomes fund volume limitations and comes full circle to the advantage of borrowers in the form of more affordable home loans with lower interest rates and longer repayment periods.

What is Housing Loan Receivables Purchase Program (HLRPP)?

HLRPP is the new program of NHMFC which aims to purchase valid loans/mortgages/receivables from the originating institutions. The

originating institution shall ensure that all requirements pertaining to these loans/mortgages/receivables are in order, for them to be able to sell such mortgages to NHMFC. Backed up by these loans/mortgages/receivables/ bonds/security papers are issued for sale or traded in the market through securitization.

Who may apply for HLRPP?

The following are qualified to apply for HLRPP as originators:

1. Housing Developers
2. Government Financing Institutions
3. Banks
4. Cooperatives
5. Corporate Employers with Housing Program

What housing loan accounts are qualified for the purchase under this program?

1. Existing residential loans from qualified housing loan originator/s to serve as the underlying collaterals that are eligible for securitization, and
2. Loans with lot only as collateral maybe purchased provided that the lot is fully developed and within a residential area.

What are the types of loans qualified for purchase?

1. Contract to Sell (CTS)
2. Real Estate Mortgage (REM)

What are the criteria for these loans?

NHMFC shall conduct due diligence on the residential loans for purchase subject to the following criteria:

- 1. The loan accounts are updated in the amortization payments as of the purchase date;
- 2. The Downpayment/Equity requirements are as follows:

2.1 Contract to Sell (CTS)	At least 15% of Total Contract Price
2.2 Real Estate Mortgage (REM)	At least 20% of Total Contract Price
2.3 Lot Purchase (REM/CTS)	At least 30% of Total Contract Price

- 3. Outstanding Principal Balance to Collateral Ratio or Loan to Value Ratio

Classification	Contract to Sell (CTS)	Real Estate Mortgage (REM)
House & Lot	Not over 85%	Not over 80%
Residential Lot Only	Not over 70%	Not over 70%

- 4. Warranty

4.1 Contract to Sell (CTS)	With Buy-Back Guaranty (Up to Full Term of Loan)
4.2 Real Estate Mortgage (REM)	Without Buy-Back Guaranty

- 5. Seasoning Period

To determine the regularity of payments, the account should have a minimum of Twelve (12) consecutive monthly payments (for both REM & CTS).

6. Insurance Coverage*

6.1 Contract to Sell (CTS)	SRI/FAPI
6.2 Real Estate Mortgage (REM)	MRI/FAPI

What is the basis for purchase price of the loan receivables?

NHMFC shall pay the amount equivalent to the PURCHASE PRICE of the portfolio upon assignment of the corresponding loan receivable and compliance with the NHMFC housing loan guidelines and requirements.

Purchase price is the Outstanding Principal Balance (OPB) of the loan as of the cut-off date minus Discount or plus Premium as the case may be.

How much is the interest on the loan?

NHMFC shall adopt or maintain the ORIGINAL INTEREST RATE of the loan as agreed upon by the borrower and the seller and/or originator, as provided for in the original Promissory Notes and Contract to Sell. Negotiation for interest rate maybe allowed provided that the share of NHMFC rate is not less than the prescribed minimum rate during the purchase.

How long is the payment period?

The loan period shall not be more than thirty (30) years but in no case exceed the difference between present age and 70th year of the principal borrower.

* Enrolment of renewal of MRI/SRI and FAPI shall be done by NHMFC to ensure that the account is fully covered. Originators shall inform the borrower that the insurance premium payments shall be included in the monthly amortization.

When is the borrower considered in default?

The borrower shall be considered in default, among other instances stipulated in the Loan Agreement, when there is failure to pay any three (3) consecutive monthly installments and other loan obligation stated therein. In the event of default, the outstanding loan balance, all accrued interests, fees, and charges and penalties shall become due and demandable.

The borrower(s) who failed to pay the full monthly amortization and/or other loan obligations when due shall pay a penalty of one-fifteenth of one percent (1/15 of 1%) of any unpaid amounts for each day of delay.

What are the fees and charges that shall be paid by originating institution/developers?

The originating institution/developer shall pay a non-refundable front-end Processing and Appraisal Fee of Five Thousand Pesos (Php 5,000.00) per account which shall be paid up-front, plus incidental expenses, if any, to be supported by receipts. Incidental expenses such as plane fares, hotel accommodation, title and Tax Declaration Verification shall be deducted from the proceeds of purchase of loan receivables.

DOCUMENTARY REQUIREMENTS

CONTRACT TO SELL (CTS) ACCOUNTS

- CTS duly executed between the borrower & the owner-developer or originator
- Deed of Assignment of Receivables with Recourse
- Irrevocable Special Power of Attorney (SPA)
- Certificate of Acceptance
- Individual Transfer Certificate of Title (TCT)
- Tax Declaration
- Affidavit/Certification of Warranties
- Letter of Authority in favor of the NHMFC to inspect the property of the borrower/buyer
- Borrower's Ledgers
- Insurance Policy covering SRI and FAPI
- Technical Documents:
 - a. Photocopy of Individual TCT/CCT
 - b. Vicinity Map, or Location Plan
 - c. Lot Plan
 - d. Approved Subdivision/Site Development Plan (complete set with profile/details topographic map, road lay-out plan, drainage/sewer system, water distribution system, power distribution system);
 - e. Complete set of Approved Building Plan per model
 - f. Detailed Bill of Materials and Specifications (land development and building);
 - g. Specification for Land Development & Housing Units
 - h. Permits for Building & Site Development
 - i. License to Sell (Certified True Copy)

REAL ESTATE MORTGAGE (REM) ACCOUNTS

- Loan and Mortgage Agreement (LMA)
- Notarized Promissory Note
- Certificate of Acceptance
- Individual Transfer Certificate of Title (TCT)
- Tax Declaration / Tax Receipt/s
- Purchase of Loan Agreement
- Affidavit/Certification of Warranties
- Letter of Authority in favor of the NHMFC to inspect the property of the borrower/buyer
- Borrower's Ledgers
- Insurance Policy covering SRI and FAPI
- Proof of capacity to Pay
- Technical Documents:
 - a Technical Documents:
 - a. Photocopy of Individual TCT/CCT
 - b. Vicinity Map, or Location Plan
 - c. Lot Plan
 - d. Approved Subdivision/Site Development Plan (complete set with profile/details topographic map, road lay-out plan, drainage/sewer system, water distribution system, power distribution system);
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For more information, please visit or get in touch with:
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