

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH (17th) CONGRESS
First Regular Session

HOUSE BILL NO. 2904

HOUSE OF REPRESENTATIVES	
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Introduced by REP. JOSE CHRISTOPHER Y. BELMONTE

EXPLANATORY NOTE

The bill entitled, "*An Act to Strengthen the National Home Mortgage Finance Corporation for Mass Housing Endeavors, Amending for the Purpose Presidential Decree Numbered 1267,*" was originally filed in the 16th Congress by Rep. Ibarra Gutierrez III.

This bill intends to enhance the National Home Mortgage Finance Corporation by amending Presidential Decree (P. D.) No. 1267. This bill seeks to ensure that the National Home Mortgage Finance Corporation is able to keep up with new developments in various housing-related financial and investment instruments in order to better respond to the State's responsibility of producing mass housing for its people.

With this goal in mind, this bill proposes to expand the mandate of the corporation to include the development of a secondary market for housing-related financial instruments. This will protect housing-related receivables or assets from mortgages, and issue housing-related asset-backed securities. These securities are recommended to be exempted from the registration requirements under the Securities Regulation Act to hasten their issuance in order to boost funds for housing development.

This bill also seeks to widen the functions of the corporation to include development or promotion of investments in new housing-related financial instruments and investment vehicles, including real estate investment trusts and reversed mortgages, to increase the funds that can be made available for housing development.

Finally, this will grant the corporation the power to accept equity participation from other government financial institutions through conversion of existing obligations to equity or subscription to unissued shares of stock, and from private investors and multilateral agencies.

For these reasons, the approval of the proposed bill is sincerely requested.





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HOUSE BILL NO. _____

Introduced by Representative Jose Christopher Y. Belmonte

1 **AN ACT**
2 **TO STRENGTHEN THE NATIONAL HOME MORTGAGE FINANCE**
3 **CORPORATION FOR MASS HOUSING ENDEAVORS, AMENDING FOR THE**
4 **PURPOSE PRESIDENTIAL DECREE NO. 1267 AND OTHER LAWS AFFECTING**
5 **THE NHMFC**

6
7 *Be it enacted by the Senate and House of Representatives of the Philippines in the*
8 *Congress assembled:*
9

10 **Section 1.** For purposes of this Act and in order to strengthen the National Home
11 Mortgage Corporation, Presidential Decree (P.D.) Numbered 1267 is hereby amended as
12 follows:

13 (a) The preamble of P.D. 1267 is amended to read as follows:

14
15 “WHEREAS, there is an urgent need to effectively increase the level
16 of funds committed to the housing effort by establishing a secondary
17 market for home mortgages and other housing-related receivables,
18 conveyances and financial instruments, as well as by, developing,
19 promoting and operationalizing new housing-related financial
20 programs, products, instruments and investment vehicles and the
21 capital markets therefor, which will amplify, and enable home
22 financing institutions to optimize the leverage of, funds earmarked for
23 housing and home development;

24
25 “WHEREAS, it is a policy of the state to pursue the development of a
26 secondary market for asset-backed securities, particularly but not
27 limited to residential mortgage-related financial instruments, to
28 generate investment in and accelerate the growth of the housing
29 finance sector, especially for socialized and low-income housing;
30

1 “WHEREAS, the development of a secondary market for home
2 mortgages, other housing-related receivables, conveyances and
3 financial instruments, as well as the development, promotion and
4 operationalization of new housing-related financial programs
5 instruments, products and investment vehicles, require the support and
6 assistance of the Government and the private sector.”
7

8 (b) Sections 3, 4, 5, are hereby amended to read as follows:
9

10 1.) “Section 3. Capitalization. – The Corporation shall have an
11 authorized capital stock of Fifty Billion Pesos (PhP50,000,000,000)
12 divided into Fifty Million (50,000,000) shares of common stocks with
13 a par value of One Thousand Pesos (PhP1,000) per share, to be
14 subscribed and paid by the Government of the Republic of the
15 Philippines.
16

17 “For this purpose, the amount of Five Billion Pesos
18 (PhP5,000,000,000) shall be automatically included and appropriated
19 annually in the General Appropriations Act, until the Corporation is
20 fully capitalized in the amount abovementioned.
21

22 “On recommendation of the Board of Directors, and subject to the
23 recommendation of the Governance Commission for GOCCs (GCG)
24 and approval by the President of the Republic of the Philippines, the
25 Corporation may accept equity participation from other government
26 financial institutions through conversion of existing obligations to
27 equity or subscription to un-issued shares of stock or both. Equity
28 participation may likewise be accepted from private investors or other
29 multilateral agencies if it would serve the public interest or enhance the
30 attainment of the Corporation’s mandate.”
31

32 2.) “Section 4. Purposes of the Corporation. –The primary purpose of
33 the Corporation is to develop, promote and provide for a secondary
34 market for home mortgages, housing-related receivables and other
35 financial instruments and conveyances granted or originated by public
36 or private home financing institutions or entities, as well as, to
37 undertake, develop, operationalize, facilitate, promote and support new
38 or non-traditional/pioneering housing-related financial projects,
39 programs, products, instruments, investment vehicles, and sources of
40 funds for housing, and cultivate capital markets for the purpose, to
41 effectively increase and optimize the funds available for housing and
42 home development.
43

44 “For purposes of the Securitization Act of 2004, the NHMFC shall be
45 the government’s secondary mortgage institution primarily responsible
46 for providing liquidity mechanism to primary mortgage lenders/holders
47 and developing a secondary market for mortgage and housing-related
48 ABS.”
49

3.) "Section 5. Powers and Functions. – The Corporation shall have the following powers and functions:

"a. To purchase (in wholesale or otherwise), acquire, sell, discount, refinance, or otherwise deal in home/residential mortgages and participations therein, housing-related contract receivables and conveyances (including contracts to sell), asset-backed securities and other housing-related financial instruments, and develop, promote and provide for a secondary market therefor, as well as, to perform all the functions/powers of a secondary mortgage institution under existing laws to channel funds from the capital markets to the mortgage and housing finance sector, under such terms and conditions as may be prescribed by the Board of Directors of the Corporation;

"b. To invest in, undertake, develop, operationalize, facilitate, promote and support new, non-traditional/pioneering housing-related financial projects, programs, products, instruments, investment vehicles and sources of funds for housing, including but not limited to Real Estate Investment Trusts (REIT), Reversed Mortgages, Islamic housing finance and Sukuk bonds, under such terms and conditions as may be prescribed by the Board of Directors of the Corporation;

"c. Subject to existing laws, rules and regulations on conflict of interest, to act as and perform the functions of a financial advisor, program manager, arranger and other roles to facilitate the housing-related asset-backed securitization projects or issuances of other public or private entities;

"d. To borrow funds from domestic or foreign, private or public, financial institutions as may from time to time be required for its operations, and to issue bonds, promissory notes, debentures, and other debt instruments in local or foreign currency;

"e. To establish and maintain a subsidiary or subsidiaries in relation to any of the purposes of the Corporation;

"f. To own, lease, purchase or otherwise acquire, sell or otherwise dispose of, property, real or personal, as may be necessary and appropriate for the conduct of its business;

"g. To invest the funds or monies of the Corporation not invested in mortgage loans and other housing-related receivables, conveyances, financial instruments and investment vehicles, in securities issued by the National Government, Bangko Sentral ng Pilipinas and other government entities including government-owned and controlled corporations, as well as, by domestic private corporations, and foreign entities, and deal with the monies and properties of the Corporation in such manner as may be considered wise or expedient for the advancement of its interest;

1
2 “h. To conduct and transact lawful activities and enter into and perform
3 any contract or lawful arrangement with any person or entity, public or
4 private, as may be necessary, desirable, proper, conducive or
5 incidental in carrying out the business of the Corporation, or to the
6 exercise of any of its powers and functions or in the attainment or
7 furtherance of any of its objectives and purposes;

8
9 “i. When the interest of the Corporation so requires, it may
10 compromise or release in whole or in part any settled claim of or
11 liability to the Corporation;

12
13 “j. To adopt, alter and use a corporate seal; to sue and be sued; and
14 generally, to exercise all powers of a corporation under the
15 Corporation Code which are not inconsistent herewith; and

16
17 “k. To promulgate such rules and regulations, and to do or cause to be
18 done any one or more of the acts and purposes set forth herein, within
19 or outside the Philippines, as may be necessary, desirable, proper,
20 conducive, or incidental to carry out any one or more of its
21 responsibilities, powers and functions or for the attainment of the
22 Corporation’s objectives, or which shall, at any time, appear conducive
23 to or expedient for the protection or benefit of the Corporation.”
24

25 (c) Section 6 of P.D. No. 1267 is hereby deleted in toto.

26
27 (d) Sections 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17 are hereby renumbered
28 as Sections 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16, respectively.
29

30 (e) Renumbered Section 7 is hereby amended to read, as follows:

31
32 “Section 7. Investment of Funds. Funds of the Corporation not
33 invested in home mortgages and other housing-related receivables,
34 conveyances, financial instruments and investment vehicles, shall be
35 kept in cash on hand, or on deposit, or invested in securities issued by
36 the National Government, Bangko Sentral ng Pilipinas and other
37 government entities including government-owned and controlled
38 corporations, as well as by foreign entities.”
39

40 (f) Renumbered Section 8 is hereby amended to read, as follows:

41
42 “Section 8. Board of Directors. – The powers and functions of the
43 corporation shall be exercised by a board of directors, hereafter
44 referred to as the “Board”, which shall be composed of the following:

45
46 “a. The Chairperson of the Housing and Urban Development
47 Coordinating Council (HUDCC) who shall be the Chairperson of the
48 Board.
49

1 "b. The President of the Corporation, who shall be the Vice-
2 Chairperson, shall be appointed to the Board by the President of the
3 Philippines and elected annually by the members of the Board from
4 among its ranks in accordance with existing laws. He shall serve for a
5 term of one (1) year, subject to re-appointment pursuant to existing
6 laws.

7
8 "c. The Secretary of the Department of Finance (DOF). Provided, That
9 whenever the Secretary of the DOF is unable to attend the meeting of
10 the Board, the secretary shall designate an undersecretary or assistant
11 secretary or such other officer as may be allowed under applicable
12 laws, rules, regulations, or issuances of the Governance Commission
13 for Government-Owned and Controlled Corporations (GCG), to act as
14 his permanent alternate.

15
16 "d. The Governor of the Bangko Sentral ng Pilipinas (BSP). Provided,
17 That whenever the BSP Governor is unable to attend the meeting of the
18 Board, the governor shall designate a deputy governor or such other
19 officer, as may be allowed under applicable laws, rules, regulations, or
20 issuances of the GCG, to act as his permanent alternate.

21
22 "e. The Secretary of the Department of Budget and Management
23 (DBM). Provided, That whenever the Secretary of the DBM is unable
24 to attend the meeting of the Board, the secretary shall designate an
25 undersecretary or assistant secretary or such other officer, as may be
26 allowed under applicable laws, rules, regulations, or issuances of the
27 GCG, to act as his permanent alternate.

28
29 "f. Two (2) members to be appointed by the President of the
30 Philippines in accordance with existing laws, coming from the private
31 sector who shall be Philippine citizens and residents, of good moral
32 character, of proven competence and known probity/integrity, and with
33 special training, expertise, or experience of at least ten (10) years in
34 any of the fields of economics, business management, finance
35 (preferably housing finance), law or other relevant areas: Provided,
36 that in the event of vacancy, the successor appointed to fill the same
37 shall serve only the unexpired portion of the term of the member he
38 succeeds.

39
40 "They shall serve for a term of one (1) year, subject to re-appointment
41 in accordance with existing laws."

42
43 (g) Subsection d of renumbered Section 9 is hereby amended to read as
44 follows:

45
46 "Section 9. Powers of the Board. – The Board shall have the following
47 powers:

48
49 "a. xxx
50

1 "b. xxx

2
3 "c. xxx

4
5 "d. On recommendation of the President of the Corporation and in
6 accordance with Republic Act No. 10149 and other applicable laws, to
7 create offices or positions necessary for the efficient management,
8 operation and administration of the Corporation; to approve the
9 appointment, removal or discipline of personnel holding managerial or
10 higher level positions for cause as provided by law; and, to fix the
11 remunerations and other emoluments, of the officers and personnel of
12 the Corporation; Provided, That all positions in the Corporation shall
13 be governed by a compensation and position classification system and
14 qualifications standards approved by the Corporation's Board of
15 Directors based on a comprehensive job analysis and audit of actual
16 duties and responsibilities: Provided, further, that the compensation
17 plan shall be comparable with the prevailing compensation plans in the
18 private sector; and to establish and maintain a Provident Fund and
19 determine the corporation's and the employees contributions to the
20 Fund.

21
22 "e. xxx

23
24
25 (h) Renumbered Section 10 is hereby amended to read as follows:

26
27 "Section 10. Meetings. – The Board shall meet at least once a month.
28 Special meetings may be convoked by the Chairperson to consider
29 such subjects or matters as may be necessary under the circumstances.

30
31 "A majority of the directors shall constitute a quorum for the
32 transaction of corporate business."

33
34 (i) Renumbered Section 11 is hereby amended to read as follows:

35
36 "Section 11. Remunerations for Attendance in Meetings. – The
37 members of the Board, except ex officio directors and their alternates,
38 shall be entitled to per diems for every meeting actually attended, in
39 such amount as the Board may deem proper and in accordance with
40 allowable limits provided under applicable laws, rules, regulations, or
41 issuances of the GCG."

42
43 (j) Renumbered Section 12 is hereby amended to read as follows:

44
45 "Section 12. President. - The Chief Executive Officer of the
46 Corporation shall be elected annually by the members of the Board
47 from among its ranks, for a term of one (1) year, pursuant to Section 18
48 of Republic Act No.10149, otherwise known as the "GOCC
49 Governance Act of 2011". He must be of good moral character, of
50 unquestionable integrity and responsibility, and must be of recognized

competence in any of the fields of economics, banking, finance, commerce or industry. He shall be assisted by an Executive Vice President and such other officers as may be necessary for the efficient operation of the Corporation."

(k) Renumbered Section 14 is hereby amended to read as follows:

"Section 14. Remuneration of the President. - The salary, allowances and other emoluments of the President shall be fixed and determined by the Board of Directors subject to the approval of the GCG and compliance with existing laws, rules and regulations."

(l) Renumbered Section 15 is hereby amended to read as follows:

"Section 15. Appointment and Discipline of Personnel. - The President shall, in accordance with civil service laws, rules and regulations, appoint the personnel of the Corporation and prescribe their duties and qualifications in accordance with the standards approved by the Board, to the end that only suitable and competent personnel may be employed, and when warranted, remove, suspend or otherwise discipline them for cause; Provided, that all appointment or termination of, or disciplinary actions against, persons holding managerial and higher level positions shall be subject to the approval of the Board, upon the recommendation of the President."

(m) Sections 18 and 19 of P.D. No. 1267 are hereby deleted.

(n) Section 20 of P.D. No. 1267 shall be re-designated as Section 17 and amended to read as follows:

"Section 17. Tax and other Exemptions. - Notwithstanding the provisions of any general or special law to the contrary, the Corporation, its assets, properties, contracts, documents, instruments and transactions, including all income and earnings, shall be exempt from the payment of all taxes, duties, fees, assessments and other charges including costs, service and filing fees, appeal bonds, and supersedeas bonds in any court or administrative proceedings, automatically without need for any administrative confirmatory ruling/issuance from any government agency or instrumentality, Such tax exemptions on income and earnings shall cease once the corporation receives the full amount of its authorized capital."

(o) There shall be inserted five new sections after renumbered Section 17 to be designated as Section 18, Section 19, Section 20, Section 21, Section 22 and Section 23, which shall read as follows:

"Section 18. Registration, Notice and Disclosure Statement, and Securitization Plan for Housing-Related Asset-Backed Securities Issuances. - For purposes of the registration, filing of notice and disclosure statement, and approval of the securitization plan for

housing-related asset-backed securities issued by or backed by assets of or originating from the Corporation, and the costs/fees relative thereto, the Securities and Exchange Commission (SEC) shall, in coordination with the Corporation, formulate and implement simplified, streamlined, abbreviated and expedited documentation, disclosure, registration and approval requirements and processes, and lower the costs/fees therefor, to accelerate the issuance of such securities and maximize the funds available for housing development.

“Notwithstanding the provisions of any general or special law to the contrary, as the government’s secondary mortgage institution, the Corporation shall be exempt from the rules and requirements on ownership, organization, capitalization, operation, prohibitions and dissolution for Secondary Mortgage Institutions under the Securitization Act of 2004.

“Section 19. Income Tax Exemption for Asset-Backed Securities. – Consistent with the state’s policy of promoting the securitization of mortgage and housing-related receivables of government housing agencies, the yield or income of investors from any low-cost or socialized housing-related asset-backed securities issued by the Corporation directly or thru a special purpose entity under the Securitization Act shall be exempt from income tax, automatically without need of any ruling or issuance from any government agency or instrumentality. Such securities issuances shall likewise enjoy all tax exemptions and incentives granted under the said Act.

“All of the Corporation’s transactions and related documents involving the transfer, sale and re-transfer of assets including collaterals and security interests thereto to or from a Special Purpose Entity in connection with its securitization programs shall be exempt from value added tax, documentary stamp tax or any other taxes, as well as from applicable registration and annotation fees. Transfers of assets by dation in payment by the obligor to the Corporation shall not be subject to capital gains tax. These exemptions shall apply automatically without need of any ruling or issuance from any government agency or instrumentality.

“The original issuance of ABS and other securities related solely to such securitization transaction, such as, but not limited to, seller’s equity, subordinated debt instruments purchased by the originator, and other related forms of credit enhancement shall be exempt from VAT or any other taxes imposed in lieu thereof but subject to DST. All secondary trades and subsequent transfers of ABS, including all forms of credit enhancement in such instruments, shall be exempt from DST and VAT, or any other taxes imposed in lieu thereof. These shall automatically apply without need of any ruling or issuance from any government agency or instrumentality.

1 "Section 20. Exemption from Dividend Requirement. -- The
2 corporation shall declare and remit dividends to the National
3 Government pursuant to Republic Act No. 7656, computed based on
4 the effective equity of the government in the corporation. It shall be
5 exempt from such dividend requirement if the government's actual or
6 effective equity in the Corporation is reduced to zero.
7

8 "Section 21. Compliance with balanced-housing requirement. -- The
9 Purchase of socialized housing-related asset-backed securities issued
10 by NHMFC directly or thru a Special Purpose Entity shall be
11 considered as alternative compliance to the UDHA balanced housing
12 requirement.
13

14 "Section 22. Synergy among government agencies. -- All securitization
15 of housing accounts/receivables of government housing agencies and
16 banks or financial institutions shall be done by, thru or with the
17 participation of NHMFC (including, but not limited to, as issuer,
18 advisor, program manager and/or arranger).
19

20 "Section 23. Transfer of housing-related accounts/receivables. --
21 Government housing agencies and banks/financial institutions are
22 encouraged to periodically allocate and sell, transfer or assign to
23 NHMFC a portion of their seasoned housing-related mortgages and
24 receivables/accounts for securitization, to further develop and expand
25 the secondary market for home mortgages and housing-related asset
26 backed securities."
27

28 (p) The succeeding sections shall be renumbered accordingly.
29

30 **SEC. 2. Separability Clause.** - All laws, decrees, executive orders, rules and
31 regulations inconsistent herewith are hereby repealed, amended or modified
32 accordingly.
33

34 **SEC. 3. Repealing Clause.** - If any provision of this Act is declared
35 unconstitutional, the remainder of this Act or any provisions not affected thereby shall
36 remain in full force and effect.
37

38 **SEC. 4. Effectivity.** - This Act shall take effect fifteen (15) days after its
39 publication in the Official Gazette or in a newspaper of general circulation.
40

41 *Approved,*