



# *Bangko Sentral ng Pilipinas*

## OFFICE OF THE DEPUTY GOVERNOR SUPERVISION AND EXAMINATION SECTOR

### CIRCULAR LETTER

**To : ALL BANKS AND NON-BANK FINANCIAL  
INSTITUTIONS UNDER BSP SUPERVISION**

**Subject : PRESIDENTIAL DECREE NO. 957**

It has come to our attention that there are instances where property developers of subdivision projects failed to inform their creditor banks of existing or subsequent contract/s to sell subdivision lot/s that secure their loans. In some cases, it was noted that titles to properties securing the developers' loans were undelivered to the property buyers, even when the specific subdivision lots were already paid in full by the buyers.

In view thereof, all banks and non-bank financial institutions under the supervision of the Bangko Sentral ng Pilipinas (BSP) are reminded to take appropriate measures, as part of their overall risk management system, to ensure that they fully comply with the requirements of Presidential Decree (PD) No. 957 (The Subdivision and Condominium Buyers' Protective Decree). We bring you attention specifically to the provisions of Section 18 of the said PD, which we quote hereunder:


**"Section 18. Mortgages.** No mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the Authority. Such approval shall not be granted unless it is shown that the proceeds of the mortgage loan shall be used for the development of the condominium or subdivision project and effective measures have been provided to ensure such utilization. The loan value of each lot or unit covered by the mortgage shall be determined and the buyer thereof, if any, shall be notified before the release of the loan. The buyer may, at his option, pay his installment for the lot or unit directly to the mortgagee who shall apply the payments to the corresponding mortgage indebtedness secured by the particular lot or unit being paid for, with a

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view to enabling said buyer to obtain title over the lot or unit promptly after full payment thereto."

For information and guidance.

  
NESTOR A. ESPENILLA, JR.  
Deputy Governor

 February 2006