

LOAN AGREEMENT
(House Construction under Usufruct)

KNOW ALL MEN BY THESE PRESENT:

THIS LOAN AGREEMENT (“Loan Agreement”) is entered into this _____, at _____ by and between:

SOCIAL HOUSING FINANCE CORPORATION, a private corporation duly organized and existing under Philippine laws, with principal office address at BDO Plaza Building, 8737 Paseo de Roxas, Makati City, represented herein by its President, _____, (hereinafter, “SHFC”);

-and-

_____, a homeowners association duly organized and existing under Philippine laws with HLURB Certificate of Registration No. _____, with address at _____ represented herein by its President, _____ (hereinafter, “HOA”).

WITNESSETH:

WHEREAS, SHFC has agreed to provide land to the HOA under a Usufruct Agreement where improvements thereon shall be made by the HOA as their dwelling place;

WHEREAS, the HOA applied for a house construction loan with SHFC;

WHEREAS, SHFC has approved the said loan application in the amount of _____ (PhP _____);

NOW THEREFORE, the parties hereby agree as follows:

1. SHFC shall grant a loan to the HOA in the principal sum of _____ (PhP _____), as evidenced by a Promissory Note executed by the HOA in favor of SHFC;
2. The loan shall be payable over a maximum term of twenty five (25) years or within the remaining term of the Loan Agreement for land acquisition, if applicable, and shall bear interest at the rate of six percent (6%) per annum. The amortization payments for this loan shall be added to the unpaid balance for the land acquisition loan, if any.
3. Late payment of the monthly amount due in accordance with the payment schedule hereto attached shall be subject to a penalty at the rate of 1/15 of 1% of the unpaid amount due per day of delay until full payment.
4. The HOA shall deposit and maintain with SHFC an amount equivalent to three (3) months amortization which shall answer for any delinquency in the amortization payment of the HOA. As such, SHFC is automatically authorized without need of further notice to apply the 3 months amortization to the outstanding loan. After notice, the HOA shall be required to replenish the said-amount within thirty (30) days. The HOA shall also secure one (1) year mortgage redemption insurance (MRI) premium and fire and allied perils insurance (FAPI) premium prior to loan release.
5. The HOA shall have the primary responsibility of collecting monthly payments due from its member-beneficiaries (MBs) for payment to SHFC. However, the non-payment by

the MB of the periodic monthly payment due does not in any way release the HOA from the liability to pay the loan granted herein.

6. The property identified in the Real Estate Mortgage dated _____ previously executed by the parties shall also stand as collateral for this loan.
7. The occurrence of any of the following shall constitute an event of default:
 - a. Failure of the HOA to pay the equivalent of at least three (3) consecutive monthly payments of the loan without need of further demand;
 - b. Any willful or intentional misrepresentation or fraud committed by the HOA in securing the loan;
 - c. Any untrue or incorrect representation, statement or warranty on any material fact or information made by the HOA in this Agreement, or any other document submitted to SHFC;
 - d. Any unjustified refusal of the HOA to declare in default delinquent MBs and substitute them;
 - e. The Mortgage cannot be registered with the Registry of Deeds or said security has become subordinated to the claim of any person or entity, whether public or private;
 - f. Violation by the HOA of SHFC policies, rules, regulations and guidelines;
 - g. The Mortgage shall, for any cause, cease to be in full force and effect or it is otherwise impaired and the required collateral value has been reduced;
 - h. The HOA shall become insolvent or unable to pay its debt as they mature, or take advantage of insolvency, moratorium or other laws for the relief of the debtor, whether filed voluntarily or involuntarily, or any judgment or order is entered by a court of competent jurisdictions for the appointment of a receiver, trust, or the like to take charge of all or substantially all of the assets of the HOA;
 - i. There shall have occurred a material change in the financial conditions of the HOA which, in the reasonable opinion of the SHFC or its assignee, the HOA will be unable to perform its obligation under this Assignment;
 - j. The HOA subdivides, leases, sells, transfers, assigns, tolerates possession thereof or otherwise disposes of the mortgaged property to other persons other than the named member-beneficiary, without prior written consent of SHFC or its assignee/transferee, or commit any act which may impair directly or indirectly the value of the mortgaged property;
 - k. Use of property for purposes other than residential or use thereof for unlawful or illegal purposes;
 - l. Violation of the terms of the Collection Agreement;
 - m. Non-commencement of the house construction within the time specified in the Notice of Approval;
 - n. Non-submission of the performance bond; or
 - o. Non-completion of the Project within the one (1) year period.

8. Effects of Default. Upon occurrence of default, SHFC may:
- a. Declare the outstanding loan, together, with the accrued interest and penalties, immediately due and demandable;
 - b. Foreclose the mortgage securing the loan;
 - c. Institute collection case against the HOA;
 - d. Declare the HOA in default and substitute delinquent MBs mentioned in Section 7 (d);
 - e. Terminate the loan agreement; or
 - f. Avail of any other remedies provided for by law and this agreement;

9. It is understood that the above remedies are alternative and in the event that the SHFC or its assignee/transferee has to initiate any action or proceeding the latter shall be entitled to collect litigation costs and expenses, including but not limited to Attorney's fees equivalent to at least twenty five percent (25%) of the total amount due;

Any Court action arising from this note shall be filed exclusively in the appropriate courts in Makati City.

10. The HOA shall ensure completion of the house construction within one (1) year from release of the loan.
11. HOA shall ensure that the corresponding Detailed Architecture and Engineering Plans, Technical Specifications, Program of Works and other documents for house construction are in accordance with applicable laws, rules and regulations.
12. SHFC reserves the right to review the capacities and credentials of the contractor/developer to whom the HOA awards the Project. A performance bond in the form of surety bond in the amount of fifteen percent (15%) of the Contract Price shall be submitted by the HOA to SHFC.
13. SHFC shall retain ten percent (10%) of the Contract Price as retention fee and to be released to the developer/ contractor after a period of six (6) months from issuance of Certificate of Completion and Acceptance by the HOA has been received and after the conduct of validation and review by SHFC.
14. HOA shall ensure that all necessary permits such as but not limited to Development Permit were secured from the proper authorities and the Development Agreement were made and executed between the HOA and the DEVELOPER/CONTRACTOR.

15. LOAN RELEASE

13.1 Upon review / validation of developer's / contractor's credentials, submission of requirements, the HOA can request for the initial release of the loan equivalent to ten percent (10%) of the loan for house construction. The HOA shall execute a Deed of Assignment of loan proceeds in favor of the developer/contractor and submit the same to SHFC prior to the release of the house construction loan.

13.2 Release of the loan shall be made in progress billing and in accordance with the approved work schedule. Releases shall be made up to a maximum of five (5) tranches.

16. The loan shall be evidenced by a Promissory Note of the HOA.

17. RESTRICTIONS

15.1. The HOA shall not sell, dispose, mortgage, encumber, or use as collateral for their economic venture the PROPERTY or any portion thereof during the lifetime of the Agreement;

15.2. The HOA shall not enter into any other agreement (except for obtaining loan from SHFC) without the consent of SHFC;

15.3. The HOA shall immediately inform SHFC of any action by third parties that may prejudice the rights of SHFC;

15.4. The HOA may provide, introduce and/or maintain proper infrastructures, perimeter fences, facilities and improvements, electricity, and water facilities that shall make the PROPERTY sustainable and viable for use;

15.5. The HOA shall be responsible for maintaining the cleanliness and peace and order in the area;

16. If any or more provisions contained in this Loan Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

17. The implementing guidelines of SHFC and Community Mortgage Program, including any and all amendatory and supplementary circulars thereto, are deemed incorporated herein by reference and made an integral part hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed and delivered as of the date as above stated.

SOCIAL HOUSING FINANCE CORPORATION

HOA

By:

By:

President
Government ID No. _____

President
Government ID No. _____

Signed in the presence of:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

BEFORE ME, a Notary Public for and in the above jurisdiction this day of _____ personally appeared:

Name	Government Valid ID	Place and Date of Issue	Expiration Date

Known to me to be the same persons who executed the foregoing instrument, consisting of five (5) pages, including this page wherein this acknowledgement is written, signed by the parties and their instrumental witnesses and sealed with my notarial seal this document as LOAN AGREEMENT FOR HOUSE CONSTRUCTION and acknowledged to me that the same are their own free voluntary acts and deeds as well as of the Corporation and the HOA herein represented.

WITNESS MY HAND AND SEAL on the date, year and place first above written.

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 20____.