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PRESIDENTIAL DECREE No. 1267

CREATING A NATIONAL HOME MORTGAGE FINANCE CORPORATION DEFINING ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES

WHEREAS, further measures are necessary to optimize the effective use of funds and resources committed by the Government in response to the housing problem;

WHEREAS, there is an urgent need to effectively increase the level of government funds committed to the housing effort by establishing a secondary market for home mortgages which will enable home financing institutions to optimize the leverage of funds earmarked for housing and home development;

WHEREAS, the development of a secondary mortgage market requires the support and assistance of the Government and the private sector as well;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

Section 1. Corporate Body. There is hereby created a body corporate to be known as the National Home Mortgage Finance Corporation, hereafter referred to as the "Corporation".

Section 2. Place of Business. The Corporation shall have its principal place of business in Metropolitan Manila, but may have such branches and agencies in other places as may be necessary for the proper conduct of its business.

Section 3. Capitalization. The Corporation shall have an authorized capital stock of Five Hundred Million Pesos (P500,000,000.00) divided into 500,000 shares with a par value of One Thousand Pesos (P1,000.00) per share, to be subscribed and paid for by the Government of the Republic of the Philippines.

Section 4. Purpose of the Corporation. The primary purpose of the Corporation shall be to develop and provide for a secondary market for home mortgages granted by public and/or private home financing institutions.

Section 5. Powers and Functions. The Corporation shall have the following powers and functions:

(a) To purchase, acquire, sell, discount, refinance, or otherwise deal in home mortgages or participations therein under such terms and conditions as may be prescribed by the Board of Directors of the Corporation;

(b) Subject to the provisions of Section 7 hereof, 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 instrument in local or foreign currency;

(c) 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;

(d) To invest the funds or monies of the Corporation not invested in mortgage loans in securities issued by the National Government, Central Bank of the Philippines and other government entities, including government-owned and controlled corporations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;

(e) To enter into and perform such contracts with any person or entity, public or private, as may be necessary, proper or conducive to the attainment or furtherance of the objectives and purposes of the Corporation;

(f) To adopt, alter and use a corporate seal; to sue and be sued; and generally, to exercise all the powers of a corporation under the Corporation Law which are not inconsistent herewith; and

(g) To promulgate such rules and regulations and to do and perform any and all things as may be necessary and proper to carry out its responsibilities, powers and functions under this Decree.

Section 6. Medium and Long-Term Loans. Any provisions of law, circular or regulation to the contrary notwithstanding, banks are hereby empowered to grant medium and long-term loans for housing and home development with maturity periods not exceeding thirty (30) years.

Section 7. Borrowing Power. With the prior approval of the Monetary Board and the President of the Philippines, the corporation may borrow from foreign public or private financial institutions such amount as may from time to time be required for its operations, or issue bonds, promissory notes, debentures, certificates of indebtedness, and other debt instruments in foreign currency. Notwithstanding the provisions of any law to the contrary, the Central Bank is hereby authorized to extend loans and advances to the Corporation under Section 88 of Republic Act No. 265, as amended, otherwise known as the Central Bank Charter, subject to such terms and conditions as may be prescribed by the Monetary Board.

No part of the proceeds of domestic and/or foreign borrowings shall be used for operating expenses of the Corporation.

The bonds, promissory notes, debentures, certificates of indebtedness and other debt instruments issued in local or foreign currency shall be at such interest rates, maturities and other terms and conditions as the Corporation may determine. The debt instruments may be secured by the assets of the Corporation and shall be fully exempt, both as to principal and interest, from any all taxes imposed by the Government or any of its subdivision. The debt instruments shall be fully negotiable and shall be unconditionally guaranteed both as to principal and interest by the government of the Republic of the Philippines, which guaranty shall be indicated on the face thereof.

A sinking fund is hereby created for the payment of the Corporation's bonds issued under the provisions hereof in such manner that the total contribution thereto accrued as at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board, shall be sufficient to redeem the bonds of maturity. The said fund shall be under custody of the Central Bank of the Philippines which shall invest the same in such manner as the Monetary Board may approve; shall charge all expenses of such investment to the said sinking fund, and shall credit the same with the interest on investments and other incomes belong to it.

A standing annual appropriation is hereby made out of any general funds in the National Treasury in such amount as may be necessary to provide for the sinking fund created herein and for the interest on bonds issued by the Corporation by virtue hereof.

Section 8. Investment of Funds. Funds of the Corporation not invested in home mortgages shall be kept in cash on hand, or on deposit, or invested in securities issued by the National Government, Central Bank of the Philippines, and other government entities, including government-owned and controlled corporations, the servicing and the repayment of which are fully guaranteed by the Republic of the Philippines.

Section 9. Board of Directors. The powers and functions of the Corporation shall be exercised by a Board of Directors, hereinafter referred to as the "Board", which shall be composed of the following:

(a) The Secretary of Finance, who shall be the Chairman of the Board. Whenever the Secretary of Finance is unable to attend the meeting of the Board, he shall designate an undersecretary as his alternate, but who shall not act as Chairman.

(b) The President of the Corporation, who shall be the Vice-Chairman.

(c) The Governor of the Central Bank of the Philippines. Whenever the Governor of the Central Bank of the Philippines is unable to attend the meeting of the Board, he shall designate the Senior Deputy Governor or any Deputy Governor to act as his alternate.

(d) The Chairman, National housing Authority. Whenever the Chairman of the National Housing Authority is unable to attend the meeting of the Board, he shall designate the General Manager to act as his alternate.

(e) The Commissioner of the Budget. Whenever the Commissioner of the Budget is unable to attend the meeting of the Board, he shall designate a Deputy commissioner to act as his alternative.

Section 10. Powers of the Board. The Board shall have the following powers:

(a) To formulate policies, rules and regulations to carry out effectively the functions of the Corporation under this Decree.

(b) To direct the management, operations and administration of the corporation.

(c) To authorize such expenditures by the Corporation as are in the interest of the effective administration and operations of the Corporation.

(d) On recommendation of the President of the Corporation, to appoint and fix the remunerations and other emoluments of subordinate officers and personnel of the Corporation and to remove or otherwise discipline such officers or employees for cause, as provided by law: Provided, however, That positions which are policy determining, primarily confidential, or considered by the Board as highly technical in nature, as determined by the President of the Philippines, shall not be subject to the Civil Service Law and Rules.

(e) To exercise such other powers as may be necessary to accomplish the purposes for which the Corporation was organized.

Section 11. Meetings. The Board shall meet at least once every two (2) weeks. Special meetings may be revoked by the Chairman or, in his absence, the Vice-Chairman, to consider such subjects or matter as may be necessary under the circumstances.

A majority of the directors shall constitute a quorum for the transaction of corporate business.

Section 12. Remunerations for Attendance of Meetings. The members of the Board or their respective alternates, except the President of the Corporation, shall be entitled to per diems for every meeting actually attended in such amount as the Board may deem appropriate but not exceeding P500.00 per meeting nor P2,000.00 in any one month.

Section 13. President. The Chief Executive Officer of the Corporation shall be the President who shall be appointed by the President of the Philippines for a term of six (6) years unless sooner removed for caused or by reason of incapacity. He must be of good moral character, of 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.

Section 14. Powers and Duties of the President. The President of the Corporation shall have the following duties and responsibilities:

(a) To prepare the agenda for meetings of the Board, and to submit for the consideration of the Board policies and measures which he believes are necessary to carry out the purposes and objectives of the Corporation.

(b) To execute and administer the policies and measures adopted by the Board.

(c) To direct and supervise the operation and internal administration of the Corporation. He may delegate certain of his administrative responsibilities to other executive officers of the Corporation, subject to such rules and regulations as may be promulgated by the Board, and to exercise such other powers as may be vested in him by the Board.

Section 15. Remuneration of the President. The salary of the Corporation shall be fixed and determined by the Board of Directors as provided in Section 10(d). The Board may authorize the payment of allowances and other emoluments to the President of the Corporation.

Section 16. Appointment of Personnel. All other officers and employees of the corporation shall be appointed by the Board upon the recommendation of the President of the Corporation.

Section 17. Auditor. The Chairman of the Commission on Audit shall act as the ex-officio auditor of the Corporation and, as such, is empowered to appoint a representative who shall act as the auditor of the Corporation. He shall also appoint the necessary personnel to assist said representative in the performance of his duties. The Auditor of the Corporation and personnel under him may removed only by the Chairman of the Commission on Audit.

Section 18. Coordination of Policy. The Corporation shall coordinate its policies and regulations with those of the Central Bank of the Philippines, National Economic and Development Authority, National Housing Authority, and all other agencies of the Government involved in home building and development and mortgage financing.

The Central Bank of the Philippines may exempt the Corporation from the Coverage of its regulations governing quasi-banking functions.

Section 19. Authority of the Monetary Board. In the furtherance of the objectives of this Decree, and whenever prevailing conditions warrant, the Monetary Board may direct and require banking institutions to set aside or allocate a part of their savings and time deposits for loans to finance the purchase and/or acquisition, construction, repair, improvement or development of houses and/or lots used for the construction of residential houses.

Section 20. Tax Exemption. Notwithstanding the provisions of any general or special law to the contrary, the Corporation, its properties and transactions except income shall be exempt from the payment of all taxes, duties, fees and other charges including costs, service and filing fees, appeal bonds, supersedes bonds in any other court in administrative proceedings.

Section 21. Repealing Clause. All laws, decrees, executive orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

Section 22. Separability Clause. If for any reason any section or provision of this Decree is declared to be unconstitutional or invalid, the other provisions hereof nor affected thereby shall continue in full force and effect.

Section 23. This Decree shall take effect immediately.

DONE in the City of Manila, Philippines, this 21st day of December, in the year of Our Lord nineteen hundred and seventy-seven.