

## **RULES GOVERNING ISSUANCE OF MORTGAGE/CHATTEL MORTGAGE CERTIFICATE BY THRIFT BANKS**

### ***(Appendix to Sec. 293-B/C)***

- a. With prior approval of the Monetary Board, TBs, whether or not authorized to engage in quasi-banking functions, may issue and deal in mortgage and chattel mortgage certificates exclusively for the purpose of financing the following loans:
  - (1) Equipment loans;
  - (2) Mortgage loans for acquisition of machinery and other fixed installations;
  - (3) Loans for the conservation, enlargement or improvement of productive properties; and
  - (4) Real estate mortgage loans (a) for the construction, acquisition, expansion or improvement of rural and urban properties; (b) for the refinancing of similar loans and mortgages; and (c) for such other purposes as may be authorized by the Monetary Board.
- b. The certificates shall be issued at a minimum denomination of P20,000 for a term of at least four (4) years.
- c. The amount of certificates which a TB may issue shall not exceed an amount equivalent to fifty percent (50%) of the total amortizations falling due during the projected term of the certificates on the mortgages/chattel mortgages pooled for the purpose of the issue.
- d. The maturity of the certificates shall in no case be later than any of the maturities of the mortgages/chattel mortgages constituting the pool. Mortgages and chattel mortgages on “past due loans” as defined under existing regulations shall not be eligible for the pool.
- e. All outstanding certificates shall constitute a prior preferred lien on payments or amortizations on the mortgages and chattel mortgages constituting the pool.
- f. If at any time, during the term of the certificates, the aggregate outstanding amount thereof should exceed the ceiling as provided in Item “c” above on account of any deficiency or inadequacy of the mortgages or chattel mortgages resulting from prepayments by the mortgage or chattel mortgages becoming past due as determined by existing regulations, the issuing bank shall provide additional mortgages or chattel mortgages as are current necessary to cover the deficiency.
- g. The issuing TB shall enter into an agreement with another bank which shall constitute the latter as custodian of the mortgages/chattel mortgages pooled for the purpose of the issue, as transfer agent of the certificates, and as its paying and securing agent, and in general shall specifically state (a) the rights, obligations and liabilities of the issuing bank and custodian banks; (b) the

rights of the holders of the certificates; (c) the mortgages making up the pool; and (d) the aggregate value of the certificates that may be issued.

- h. The agreement shall be available for inspection at reasonable hours during business days to the holders of the certificates, or their duly authorized representatives.
- i. The certificates shall have the following minimum features:
  - (1) The certificate shall be thirteen (13) inches in length and 8.5 inches in width, and shall be serially pre-numbered and printed on security paper with safeguards against alterations and/or falsifications;
  - (2) The description of the certificate, i.e., "Mortgage Certificate" or "Chattel Mortgage Certificate", shall be printed on the upper center margin of the certificate;
  - (3) The certificate shall indicate its date of issuance, the amount or denomination thereof, the rate of interest expressed as a percentage on an annual basis, and the term or maturity thereof;
  - (4) The certificate shall contain a conspicuous notice at the lower margin thereof that the same is not insured by the Philippine Deposit Insurance Corporation (PDIC); and
  - (5) The copy of the certificate to be issued to the investor shall be stamped or printed with the word "Original" and the copies retained by the issuer as "Duplicate copy", "File copy", or words of similar import.
- j. A five percent (5%) reserve shall be maintained against all issues of mortgage/chattel mortgage certificates. The Monetary Board may change the required reserves as may be necessary.
- k. Any thrift bank desiring to apply for authority to issue mortgage/chattel mortgage certificates may submit its application to the appropriate supervising department of the Bangko Sentral duly accompanied by the following documents:
  - (1) Pro-forma copies of the mortgage/chattel mortgage certificates proposed to be issued and the agreement referred to in Item "g" thereof;
  - (2) Statement setting forth the details or particulars of the mortgages/chattel mortgages to be pooled for purposes of the issue and the purpose for which the proceeds will be used; and
  - (3) Other records or data as the appropriate supervising department of the Bangko Sentral may deem necessary for the proper evaluation of the bank's application.