



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

**Circular No. 600
Series of 2008**

**Subject: Limit on Real Estate Loans of Universal Banks/
Commercial Banks**

Pursuant to Monetary Board Resolution No. 68 dated 17 January 2008, the Manual of Regulations for Banks (MORB) is hereby amended.

Section 1. Section 1397 on Limits on Real Estate Loans of Universal Banks/Commercial Banks is hereby amended to read, as follows:

"Total real estate loans of UBs/KBs, excluding:

- a) Loans extended to individual households for purposes of financing the acquisition, construction, and/or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower, regardless of amount;
- b) Loans extended to land developers/construction companies for the purpose of development and/or construction of socialized and low-cost residential properties as defined under existing guidelines of the Housing and Urban Development Coordinating Council (HUDCC) for the implementation of government housing programs, which are intended for sale to individual households;
- c) Loans to the extent guaranteed by the Home Guaranty Corporation (HGC); and
- d) Loans to the extent collateralized by non-risk assets under existing regulations

shall not exceed twenty percent (20%) of the total loan portfolio, net of interbank loans.

PANANALAPING MATATAG, BANSANG PANATAG

For this purpose, "real estate loans" shall refer to loans granted (a) to individual households for the acquisition, construction and/or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower, including loans granted to bank officers and employees for the same purpose which are covered by bank's fringe benefit plan and which plan was approved by the Monetary Board and (b) to land developers/construction companies and other borrowers for the acquisition and development of land and/or construction of buildings and structures, including housing units for sale/lease and/or for use in retail/wholesale, manufacturing or other income-generating purposes, including loans for the land development and construction of residential properties.

It shall not include loans for construction of highways, streets, bridges, tunnels, railways, and other infrastructure for public use.

Purchase by banks of receivables under Contract to Sell (CTS) executed between the real estate developers and home buyers on a with recourse basis shall be considered loans to real estate developers and shall be classified as commercial real estate loans.

Trust departments of UBs/KBs shall be exempted from the prescribed limit on real estate loans.

Under existing HUDCC guidelines, socialized and low-cost housing loans are defined as follows:

Housing Package	Loan Ceiling
Low-cost	
Level 1-A (Socialized)	P300,000 and below
Level 1-B	Above P300,000 to P500,000
Level 2	Above P500,000 to P1,250,000
Level 3	Above P1,250,000 to P3,000,000

The revised template of Report on Real Estate Exposure, which shall form part of the Financial Reporting Package issued under Circular No. 512 dated 03 February 2006, as amended, for UBs/KBs and TBs is attached as Annex "A".

Section 2. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


 NESTOR A. ESPENILLA, JR.
 Officer-In-Charge

04 February 2008

ANNEX A

DEADLINE : 15 banking days after
end of reference
quarter

SUBMISSION : Original copy to
Supervisory Data Center

FOR UNIVERSAL /COMMERCIAL AND THRIFT BANKS

(Name of Bank)	(Code)
(Address)	

Report on Real Estate Exposure

As of _____ (Quarter-End)

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

I solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiant exhibiting to me his Community Tax
Certificate No. _____ issued at _____ on
_____ 20____.

Notary Public
Until December 31, 20____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

III. Investment in Debt and Equity Securities Issued by Real Estate Companies (e.g., Land Developers and Construction Companies)

	Account Classification	Acquisition Cost	Carrying Amount	Allowance for Credit Losses	Net Carrying Amount	Past Due Accounts	Fair Value (Annually)
A. Investment in Debt Securities							
(1)							
(2)							
(3)							
(4)							
(5)							
Total							
B. Investment in Equity Securities							
(1)							
(2)							
(3)							
(4)							
(5)							
Total							

REPORT ON REAL ESTATE EXPOSURE

Definition of Terms

A. Residential Real Estate Loans to Individual Households for Occupancy

- This refers to loans extended to individual households for purposes of financing the acquisition, construction and/or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower, including loans granted to bank officers and employees for the same purpose, which are covered by bank's fringe benefit plan and which plan was approved by the Monetary Board.

(1) **Socialized and Low-cost Housing** – Socialized housing packages shall refer to housing loans not exceeding P300,000 while low-cost housing packages shall refer to housing loans in excess of P300,000 but not more than P1,250,000 for Level 1 and in excess of P1,250,000 but not more than P3,000,000 for Level 2, as defined under existing guidelines of the Housing and Urban Development Coordinating Council (HUDCC) for the implementation of various government housing programs, or in such other amounts which HUDCC may prescribe in the future for said housing loans.

(2) **Others** - This refers to residential real estate loans to individual households for occupancy not classified as socialized and low-cost housing.

B. **Commercial Real Estate Loans** - This refers to loans extended to real estate developers/construction companies and other borrowers for purposes of financing the acquisition and development of land and/or construction of buildings and structures including housing units for sale/lease and/or for use in retail/wholesale, manufacturing or other purposes.

(1) **Loans to land developers/construction companies** – This refers to commercial real estate loans extended to land developers/construction companies.

(a) **Residential Units** – This refers to loans extended to land developers/construction companies for purposes of financing the land development and construction of housing units, which are intended for sale/lease to individual households.

(i) **Socialized and Low-cost Housing** – This refers to loans for the purpose of financing land development and construction of socialized and low-cost housing units as defined under existing guidelines of the HUDCC for the implementation of various government housing programs, which are intended for sale/lease to individual households.

- (ii) **Condominiums** - This refers to loans for the purpose of financing land development and construction of residential condominiums, of which units are intended for sale/lease to individual households.
 - (iii) **Others** – This refers to loans for the purpose of financing land development and construction of other types of housing units other than those classified under Items (i) and (ii), which are intended for sale/lease to individual households.
- (b) **Office Buildings/Condominiums** - This refers to loans for the purpose of financing the land development and construction of office buildings/condominiums of which units are intended for sale/lease.
 - (c) **Retail/Wholesale** – This refers to loans for the purpose of financing the land development and construction of buildings and structures for use in retail/wholesale business, which are intended for sale/lease.
 - (d) **Manufacturing** – This refers to loans for the purpose of financing the land development and construction of buildings and structures for use in manufacturing goods, which are intended for sale/lease.
 - (e) **Others** – This refers to loans for the purpose of financing the land development and construction of buildings and structures other than those classified under Items (a) to (d), which are intended for sale/lease.
- (2) **Loans to other borrowers** - This refers to commercial real estate loans extended to other borrowers.
- (a) **Residential Units** – This refers to loans for the purpose of financing the land development and construction of housing units, which are intended for sale/lease to individual households.
 - (b) **Office Buildings/Condominiums** - This refers to loans for the purpose of financing the land development and construction of office buildings/condominiums of which units are intended for own use/lease.
 - (c) **Retail/Wholesale** – This refers to loans for the purpose of financing the land development and construction of buildings and structures for retail/wholesale business intended for own use/lease.
 - (d) **Manufacturing** – This refers to loans extended for the purpose of financing the land development and construction of buildings and structures for manufacturing goods intended for own use/lease.

- (e) **Others** - This refers to loans extended to other borrowers for purposes of financing the development/construction of other buildings and structures intended for own use/lease.

Line Item Instructions

Schedule 1 – Real Estate Exposure

Report in the appropriate the column the following requested information:

I. Residential Real Estate Loans

- (a) **No. of Accounts** – Report the number of accounts of real estate loans extended .
- (b) **Outstanding Balance** – Report the outstanding balance of real estate loans extended.

Status of Accounts

- (c) **Current** – Report the gross carrying amount of real estate loans extended that are classified as current.
- (d) **Past Due but not yet Non-Performing** - Report the gross carrying amount of real estate loans extended that are classified as past due but not yet non-performing.
- (e) **Past Due and Already Non-Performing** - Report the gross carrying amount of real estate loans extended that are classified as past due and already non-performing.
- (f) **Items in Litigation** - Report the gross carrying amount of real estate loans that are classified as items in litigation.

Collateral

- (g) **Secured by REM** – Report the gross amount of real estate loans to the extent covered by REM on residential and commercial properties.
- (h) **Secured by Contracts to Sell (CTS)** – Report the gross carrying amount of real estate loans to the extent covered by CTS
- (i) **Secured by Non-Risk Assets** – Report the gross carrying amount of real estate loans to the extent covered by non-risk assets.

- (j) **Secured by Other Assets** – Report the gross carrying amount of real estate loans to the extent covered by other assets
- (k) **Unsecured** – Report the gross carrying amount of unsecured real estate loans extended.
- (l) **Guaranteed by Home Guarantee Corporation (HGC)** – Report the gross carrying amount of real estate loans to the extent guaranteed by the HGC
- (m) **Allowance for Credit Losses** – Report the specific allowance for credit losses booked for the real estate loans extended.
- (n) **Net Carrying Amount** – Report the net carrying amount of real estate loans extended as the difference between Total Outstanding Balance and Allowance for Credit Losses
- (o) **Fair Value of Collateral** – Report the fair value of the REM collateral on an annual basis.

II. Loans Secured by REM (Other than those reported under Item I)

Report in the appropriate column the following requested information for loans secured by REM that are not classified as Real Estate Loans:

- (a) **No. of Accounts** – Report the number of accounts of loans extended that are secured by REM.
- (b) **Outstanding Balance** – Report the outstanding balance of loans extended that are secured by REM.

Status of Accounts

- (c) **Current** – Report the gross carrying amount of loans extended secured by REM that are classified as current.
- (d) **Past Due but not yet Non-Performing** - Report the gross carrying amount of loans extended secured by REM that are classified as past due but not yet non-performing.
- (e) **Past Due and Already Non-Performing** - Report the gross carrying amount of loans extended secured by REM that are classified as past due and already non-performing.
- (f) **Items in Litigation** - Report the gross carrying amount of loans extended secured by REM that are classified as items in litigation.

- (g) **Secured by REM** – Report the gross carrying amount of loans to the extent covered by REM.
- (h) **Allowance for Credit Losses** – Report the specific allowance for credit losses booked for the loans extended secured by REM.
- (i) **Net Carrying Amount** – Report the net carrying amount of loans extended secured by REM as the difference between Total Outstanding Balance and Allowance for Credit Losses
- (j) **Fair Value of Collateral** – Report the fair value of the REM collateral on annual basis.

Additional Information:

Public Infrastructure – This refers to loans extended for purposes of financing the construction of highways, streets, bridges, tunnels, railways and other infrastructure intended for public use.

III. Investment in Debt and Equity Securities Issued by Real Estate Companies (e.g. land developers and construction companies)

Report the names of real estate companies that issued debt and equity securities held by the bank. Further, report under the appropriate column the following information:

- (a) **Account Classification** – Report the account title where the securities are currently booked (e.g. Held for Trading, Available for Sale, etc.) per line item indicated.
- (b) **Acquisition Cost** – Report the acquisition cost of securities per line item indicated.
- (c) **Carrying Amount** – Report the gross carrying amount of securities per line item indicated.
- (d) **Allowance for Credit Losses** – Report the specific allowance for credit losses per line item indicated.
- (e) **Net carrying amount** – Report the net carrying amount of securities per line item indicated as the difference between Item (c) and (d).
- (f) **Past Due Accounts** – Report the total amount of past due accounts per line item indicated.

(g) **Fair Value** – Report the fair value of the debt and equity securities of real estate companies held by the bank on an annual basis.

Schedule 2 – Original Maturity and Earliest Repricing of Real Estate Exposure

Report the gross carrying amount of real estate loans under the appropriate columns for original maturity and earliest repricing reckoned from original maturity.