



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1026
Series of 2018

Subject: Amendments to Manual of Regulations for Non-Bank Financial Institutions on Loan Limit to a Single Borrower applicable to Non-Stock Savings and Loan Associations

Pursuant to its powers under Section 22 of Republic Act (R.A.) No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Association Act of 1997" (NSSLA Law), the Monetary Board, in its Resolution No. 1903 dated 16 November 2018, approved the amendments to the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) applicable to Non-Stock Savings and Loan Associations (NSSLAs) relative to the limit on the amount of loans that their members may avail of. Said amendments laid down the implementing rules and regulations of the loan limit prescribed under Section 7 of R.A. No. 8367, for consistent and uniform application by NSSLAs, as follows:

Section 1. The entire provisions of Section 4303S is transferred to Subsection 4304S.3 and the said section shall now read as follows:

Sec. 4303S Policy on Loan Limit to a Single Borrower (SBL). The NSSLAs have shown continued growth in terms of size and complexity of overall operations, offering wider range of credit facilities to meet the increasing demand for financial products and services of their members. While the Bangko Sentral recognizes that the NSSLAs have to adequately serve their members' financial needs, their lending operations shall be bound by the standards and expectations set forth in the NSSLA Law and its implementing rules and regulations. Consistent with policies to encourage judicious utilization of credit among the members and to lay down the minimum requirements and standards under which NSSLAs may organize and operate, the following rules on loan limit to a single borrower are hereby adopted to:

- a. ensure adherence, consistency and uniformity of application of determination of loan limit;
- b. prevent practices prejudicial to the members or over-indebtedness; and

c. achieve the objectives consistent with the nature of operation of NSSLAs as self-help institutions.

Section 2. The provisions of Subsection 4301S.1b (Loan limit to a single borrower) is hereby renumbered as Subsection 4303S.1 of the MORNBF, and amended as follows:

Subsec. 4303S.1 *Loan limit to a single borrower.* An NSSLA may grant loans but shall not exceed the member's deposits and capital contributions, plus twelve (12) months of his regular salary as the NSSLA may allow or up to seventy percent (70%) of the fair market value (FMV) of any property acceptable as collateral on first mortgage that he may offer as security.

It shall be the primary responsibility of the NSSLA, its trustees and officers to ensure compliance with the SBL. The Board of Trustees (BOT) shall adopt appropriate policies and procedures, including a system to reasonably monitor compliance, which shall be integrated in the NSSLA's applicable risk management system, e.g., credit, compliance, and/or operational risk management systems.

For this purpose, accurate and adequate records in support thereof shall be made available for verification by the Bangko Sentral.

Section 3. Subsection 4303S.2 of the MORNBF is hereby created as follows:

Subsec. 4303S.2 *SBL guidelines.* For purposes of implementing the foregoing, the following guidelines shall apply:

- a. **Timing of determining the limit.** The SBL shall be determined at the time of approval of a loan and/or its renewal/restructuring/extension or its equivalent.
- b. **Amount of the loans.** The amount of loans to be used in determining compliance with the SBL of a member shall be the sum of gross amount of the new loan he applied for and the total outstanding balance of his existing loans with the NSSLA.
- c. **SBL in formula.** The SBL shall be computed, as follows:

SBL =	Basic limit	Sum of deposits and capital contributions (including the fixed and capital contribution buffer or other names they shall be called)
	Plus	
	Variable limit	Twelve (12) months regular salary, as the NSSLA may allow, or seventy percent (70%) of FMV of the

		property acceptable as collateral on first mortgage offered as security
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In determining the variable limit, the seventy percent (70%) of FMV parameter shall apply only when a collateral on first mortgage is offered as security to the new loan. Without such offering of collateral for a new loan, the variable limit shall be the twelve (12) months regular salary as herein defined: *Provided*, That notwithstanding the offering of a collateral, whenever the twelve (12) months regular salary is higher than the amount equivalent to seventy percent (70%) of FMV, the said twelve (12) months regular salary may be considered as the variable limit.

d. **Twelve (12) months regular salary.** The phrase *twelve (12) months regular salary* cited under Section 7, R.A. No. 8367 shall refer to the total amount of regular salary of a member for a period not exceeding twelve (12) months. The following shall be considered in the policies, procedures and processes to be adopted by an NSSLA in determining the total amount of regular salary of a member:

- (1) **Determination of salary.** In determining the amount of salary, reference shall be made to the proof establishing the same. In general, salary is evidenced by a pay slip or its equivalent. Salary of an employee-member include the basic salary and other benefits, such as 13th month pay and bonuses mandated under the collective bargaining agreement: *Provided*, That in the case of a member-retiree, it shall refer to his retirement pension.
- (2) **Test of regularity.** A salary shall be considered regular if the payment, not the amount, is assured as established by way of a company or national policy, law, tradition or collective bargaining agreement.

In general, a member sources his regular salary from a single employer or payor. However, where an employee-member is employed in more than one (1) company, or a member-retiree is employed in a company, his total regular salary for a period not exceeding twelve (12) months may cover such other sources of regular salary as may be allowed by the NSSLA concerned, taking into consideration its risk appetite and adequacy of its risk management system in place.

e. **Utilization of deposits and capital contributions.** The outstanding balances of deposits and capital contributions owned and registered in the name of a qualified member-

borrower at the time of approval of his loan and/or the renewal/restructuring/ extension thereof or its equivalent shall be utilized in determining his SBL. In case of co-owned deposit or capital contribution accounts, the NSSLA may require a declaration from the co-owners of a specific account to certify their respective shares or ownership, in order to correctly determine the members' SBL. In the absence of said declaration, his percentage share equivalent to the amount of the co-owned account divided by the number of co-owners, shall be included in the computation of the SBL.

f. **FMV.** For purposes of complying with the variable limit of seventy percent (70%) of FMV of property acceptable as collateral on first mortgage offered as security of a loan, the following guidelines shall apply:

(1) Properties with market value of at least ₱5 million or more should be appraised by independent appraisers. An in-house appraisal of all collaterals referred herein shall be made every other year: *Provided*, That immediate re-appraisal shall be conducted on such collaterals which materially decline in value; and

(2) Those below ₱5 million may be appraised in-house; *Provided*, That appropriate policies and procedures are adopted to ensure the reliability thereof: *Provided, further*, That an NSSLA is not precluded from engaging the services of an independent appraiser for properties with market value of less than ₱5 million.

g. **Documentary and other requirements.** The determination of and adherence to the SBL shall be duly documented to provide audit trail. The variables used in the determination thereof shall be duly supported.

For the purpose of verifying compliance with the SBL, the Bangko Sentral has the authority to disregard unsupported amounts and/or any variable in the computation of the SBL.

h. **Certification of compliance.** NSSLAs shall submit within 15 days after end of each reference quarter, to the appropriate supervising department of the Bangko Sentral, a notarized certification stating that the NSSLA concerned has complied with the SBL requirement. The certification shall be executed by the NSSLA president.

i. **Enforcement actions.** The Bangko Sentral may deploy its range of supervisory actions to promote adherence to standards and principles set forth in this Section, to bring

about timely corrective actions and compliance with Bangko Sentral directives and ensure that NSSLAs operate in sound, lawful and orderly manner. Non-observance of the provisions of this Section, may subject the NSSLA, its trustees and officers to appropriate sanctions. Any administrative sanctions imposed by the Bangko Sentral shall be without prejudice to the imposition of penalties under Section 23 of R.A. No. 8367 against the NSSLA, its trustees, officers and/or employees and agents, and criminal charges against such persons under applicable laws.

Section 4. New Section is added and the other existing Sections of the MORNBFIs are hereby transferred and renumbered, as follows:

Section	Description	Numbered/Renumbered As Section/Subsection
New	Grant of Loans and Other Credit Accommodations	4304S
4304S	Loan repayment	4304S.4
4310S	Minimum required disclosure	4304S.10
4311S	Unfair collection practices	4304S.11
4312S	Confidentiality of information	4304S.12
4313S	Sanctions	4304S.15

Section 5. Considering the transfer and renumbering of the above Subsection and Sections, references to the transferred and renumbered provisions are correspondingly amended, as shown below:

Section	Existing cross-reference	Description	New cross-reference
4309S	4301S.1b	Renewal of loans	4303S.1
4311S	4312S	Unfair collection practices	4304S.12
4313S	4310S/4312S	Sanctions	4304S.10/4304S.12

Section 6. 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.
 Governor

06 December 2018