**Annex “B”**

**TERMS AND CONDITIONS OF THE GUARANTY**

**Retail Guaranty**

**ARTICLE I**

**DEFINITIONS AND CONSTRUCTION**

1.1 The following terms as used under this Terms and Conditions shall have the following meanings:

* + 1. CERTIFICATE OF GUARANTY – The certificate evidencing the amount of loan or credit guaranteed as to principal and interest by the promise or undertaking of HGC to settle or pay the obligation of a Mortgagor or Borrower in the event of default, as provided in the Contract of Guaranty.
    2. CONTRACT TO SELL (CTS)– The contract executed by a Developer in favor of the buyer whereby the Developer obligates himself to transfer ownership of the real property in favor of the buyer upon full payment of the purchase price.
    3. DEFAULT – The failure of the Mortgagor or Borrower to pay six (6) consecutive monthly amortizations/installments due under the guaranteed Retail Loan.
    4. GUARANTY PREMIUM – The fee to be paid by the CLIENT for the guaranty coverage.
    5. LOAN TO COLLATERAL RATIO (LCR) – The ratio of the loan/credit balance against the value of the collateral.
    6. MORTGAGOR OR BORROWER – A person or entity who executed either a real estate mortgage in favor of the CLIENT or a CTS with the Developer, which CTS were sold and transferred by the Developer to the CLIENT.
    7. NET DISPOSABLE INCOME - The gross verifiable monthly income less statutory deductions and long term loans amortizations.
    8. NOTICE OF GUARANTY CALL – The written claim on the HGC’s guaranty in accordance with this Terms and Conditions.
    9. REAL ESTATE MORTGAGE (REM) – The accessory contract executed by the Mortgagor or Borrower in favor of the CLIENT to secure the repayment of the loan. It is the first mortgage registered with the Registry of Deeds and annotated on the certificate of title.
    10. RETAIL GUARANTY LINE – The guaranty facility extended to the CLIENT by the HGC in the amount referred to in the WHEREAS clauses, whereby the Retail Loans granted by the CLIENT to the Mortgagors or Borrowers under CTS accounts may be enrolled for guaranty coverage .
    11. RETAIL LOAN – A type of loan for the purchase or construction of a single family residence.
    12. SINGLE FAMILY RESIDENCE – A type of residential structure designed as one family dwelling unit.
  1. The Contract of Guranty and this Terms and Conditions shall be interpreted in accordance with the following rules of construction:
     1. Reference in the Contract of Guaranty and in its annexes to any applicable law shall be construed as a reference to applicable laws and its amendments.
     2. Reference to any party shall be construed as a reference to any permitted successors or assigns of such party.

**ARTICLE II**

**GUARANTY COVERAGE**

* 1. **Extent of Guaranty Coverage** - The guaranty stipulated under the Contract of Guaranty shall depend on the type of housing package and loan ceiling, as classified hereunder:

|  |  |
| --- | --- |
| Type of Housing Package | Loan Ceiling |
| Socialized housing | P 400,000 & below |
| Low-cost housing | Above P 400,000 up to P 3.0Mn |
| Medium-cost housing | Above P 3.0Mn up to P 4.0Mn |
| Open housing | Above P 4.0Mn |

The extent of guaranty coverage on the principal and on the interest earned shall be as follows:

|  |  |  |
| --- | --- | --- |
| Type of Housing  Package | Guaranty on  Outstanding Principal | Guaranty on Interest or  Yields Earned |
| Socialized housing | 100% | Up to 11.0% |
| Low-cost housing | 100% | Up to 10.0% |
| Medium-cost housing | 100% | Up to 9.5% |
| Open housing | 100% | Up to 8.5% |

2.2 **Period of Coverage** – The term of each batch of guaranteed retail loan shall be for a period of one (1) year from date of premium payment and may be renewed every year thereafter upon the written request of the **CLIENT,** payment of the corresponding guaranty premium on the anniversary date, and the execution of the warranties specified under Article VIII of this Terms and Conditions.

**ARTICLE III**

**GUARANTY OF THE REPUBLIC OF THE PHILIPPINES**

* 1. **Government Guaranty** – The Republic of the Philippines fully and unconditionally guarantees the obligations herein incurred by **HGC** as to principal and interest up to the extent enumerated under Section 2.1, Article II of this Terms and Conditions.

**ARTICLE IV**

**TAX EXEMPTION**

4.1 **Tax Exemption on Guaranteed Accounts** – Interests or yield earned on guaranteed accounts shall be exempt from all taxation, as follows:

|  |  |
| --- | --- |
| Type of Housing Package | Tax Exemption on Interest Income or Yield |
| Socialized Housing | 11.0% |
| Low-cost housing | 10.0% |
| Medium-cost housing | 9.5% |
| Open Housing | 8.5% |

In case the rate of interest charged on the guaranteed Retail Loan is lower than the applicable tax exempt rate, the tax exemption shall be to the extent of the interest indicated in the loan document.

**ARTICLE V**

**ACCOUNTS ELIGIBLE FOR GUARANTY**

5.1 **Eligibility for Coverage** – A Retail Loan granted by the **CLIENT** shall be eligible for guaranty coverage if it meets all the following requirements:

* + 1. **Purpose**: The retail/single family dwelling loan is intended for any of the following purposes:

1. Purchase of house & lot, townhouse, condominium unit and any other single family dwelling;
2. Purchase of lot and construction of house;
3. Construction of house on lot already owned;
4. Purchase of residential lot or residential farm lot;
5. Purchase of lot on which the house of the Mortgagor or Borrower stands;
6. Major repair, improvement or expansion of an existing house or dwelling unit;
7. Financing of CTS executed by Developers in favor of its buyers covering purchase of residential units in a developed subdivision or condominium; and
8. Refinancing of an existing loan, which was principally used for any of the above-mentioned purposes;
   * 1. **Security/Collateral** : The Retail Loan shall be secured by:
9. A Real Estate Mortgage: The property subject of the Real Estate Mortgage shall be free from all liens and encumbrances; or
10. Contract Receivables or Rights under CTS covering the residential property subject of the sale; or
11. Deed of Assignment of all rights under the CTS and the property subject thereof executed by the Developer, in favor of the **CLIENT**. Titles to such property shall remain registered in the name of the Developer, but the Transfer Certificate of Title (TCT) thereof shall be placed in the custody of the **CLIENT.**
    * 1. **Term of Accounts**: The term or maturity of the loan must not exceed thirty (30) years.
      2. **Interest :** The retail loan documents should specify the rate of interest.
      3. **Loan Amount:** The principal loan value for guaranty coverage must not exceed:

|  |  |  |
| --- | --- | --- |
| Type of Housing Package | Maximum Loan-to-Collateral Ratio (LCR) | Loan Ceiling |
| Socialized Housing | 90% | P400,000 and below |
| Low-Cost Housing | 90% | Above P400,000 to P3.0Mn |
| Medium-Cost Housing | 80% | Above P3.0Mn to P4.0 Mn |
| Open Housing | 70% | Above P4.0 Mn |

of the appraised value of the property subject of the loan based on an appraisal which meets the minimum requirement of the **HGC**’s appraisal standards hereto attached as **Appendix "A".**

In the event of call, the **HGC**’s appraisal shall be the basis in the computation of the present LCR. However, if the LCR exceeds **HGC**’s requirement, only then shall the **CLIENT**’s appraisal be adopted, provided that the difference of the two appraisals does not exceed twenty percent (20%). Should the difference in appraisal exceed twenty percent (20%), **HGC** shall deny payment of the claim.

* + 1. **Monthly Amortizations:** The retail loan documents should specify that loan amortizations must be made on or before the due date. The gross monthly payment/amortization of the Mortgagor or Borrower should not exceed forty percent (40%) of his/her Net Disposable Income.
    2. **Downpayment:** The CTS accounts should have paid the minimum equity or downpayment as follows:

|  |  |  |
| --- | --- | --- |
| Type of Housing Package | Loan Ceiling | Minimum Equity or Downpayment |
| Socialized housing | P400,000 and below | 10% |
| Low-cost housing | Above P400,000 up to P3.0Mn | 10% |
| Medium-cost housing | Above P3.0Mn up to P4.0Mn | 20% |
| Open Housing | Above P4.0Mn | 30% |

* + 1. **Location of the Property** – The property subject of the REM or CTS must be located in a developed subdivision or in an area classified as residential, near centers of business, commerce and employment, or means of livelihood. Said property must be directly accessible by transportation facilities through developed roads or right of way, and must have direct access to permanent power and water facilities, as well as sewerage and drainage systems. The property must not be located in flood prone, landslide prone or lahar endangered areas as determined by an appropriate government agency.

The subdivision where the property is located must be developed in accordance with the standards and technical requirements provided under Batas Pambansa Bilang 220, Presidential Decree No. 957 and other laws, rules and regulations governing land development.

* + 1. **Payment History** – The loan should be in current status upon enrollment and not in default prior to its renewal for guaranty coverage.
    2. **Fire Insurance Coverage** – The house and other improvements, if any, on the real property subject of the REM or CTS shall be insured against fire with a licensed insurance company to the extent of the appraised value of the property. Proceeds of the insurance coverage shall inure to the benefit of the **CLIENT.**
    3. **Mortgage Redemption Insurance-** The loan shall be insured against the death of the borrower. Proceeds of the insurance shall inure to the benefit of the **CLIENT**.
    4. **Documentation** – The individual loan documents should contain such terms and provisions with respect to repairs, alterations, payment of taxes, Mortgage Redemption Insurance, Fire Insurance, default, delinquency charges, foreclosure proceedings, and or cancellation of CTS, anticipation of maturity, additional and secondary liens and other matters as the **HGC** may reasonably require on loan documentation.

**ARTICLE VI**

**ENROLLMENT OF LOANS FOR COVERAGE**

6.1 In enrolling accounts for guaranty coverage, the **CLIENT** shall submit a Letter of Enrollment substantially in the form of **Appendix “B**” stating the representations and warranties under Article VIII of this Terms and Conditions and in the manner hereunder stipulated:

Accounts shall be made in batches of at least ten (10) individual accounts or not less than One Million Pesos (P1,000,000.00) worth of loans in accordance with the format prescribed in **Appendix “C”**

In cases where the loan release is staggered, the subsequent releases shall be enrolled with the following information:

* + - 1. Name of the Mortgagor or Borrower;
      2. Batch number and Certificate of Guaranty Number covering the first release of the loan;
      3. Amount of succeeding loan releases;
      4. Interest rate; and
      5. Period of guaranty coverage of the previous releases of the loan.

In case of refinancing, the statement of account of the original loan refinanced shall, likewise, be attached to the batchlist.

**ARTICLE VII**

**GUARANTY PREMIUM**

7.1 **Amount of Guaranty Premium** – The annual Guaranty Premium shall be in accordance with the guaranty premium rates stated in the Contract of Guaranty. The Guaranty Premium for the first year of coverage of each batch of the Retail Loans shall be paid upon enrollment.

7.2 **Guaranty Premium for Staggered Releases -** The annual guaranty premium for the second or any subsequent drawdown shall be computed on the basis of number of days from date of such release to the anniversary date of the first drawdown.

7. 3 **Guaranty Premium Adjustment** - **HGC** shall undertake an annual assessment of its risk position on all guarantees granted to the **CLIENT**, which shall be the basis for adjustment of its premium fee structure as may be deemed necessary in its discretion based on sound and generally accepted actuarial principles. Such adjustment if any, shall be applied prospectively after prior written notice to the **CLIENT** on both new enrollments and renewals against the Retail Guaranty Line, provided that the adjusted rates shall not be less than the prescribed minimum rates under R.A. 8763.

* 1. **Guaranty Premium for Renewal** – The Guaranty Premium for the renewal of guaranty coverage for succeeding years shall be paid on the anniversary date. A supporting batch list prepared in the format substantially similar to that attached as **Appendix “C”** shall be submitted simultaneously with the Guaranty Premium payment.

7.5 **Re-enrolled Accounts** – Retail Loan accounts where guaranty coverage has been terminated due to the Mortgagor’s or Borrower’s default in the payment of amortization but were subsequently updated or restructured may be re-enrolled for guaranty coverage subject to an additional premium of one-fourth percent (¼%) of the regular rate. The premium rate may be reverted to the regular rates after one year from the date of re-enrollment.

* 1. **Certificate of Guaranty Coverage** – Upon payment of the annual Guaranty Premium for each batch of Retail Loans, the **HGC** shall process the same within fifteen (15) working days from premium payment and shall issue the Certificate of Guaranty indicating its period of coverage and attached to it the Batch List of the guaranteed loans.
  2. **Validity of Payment** – Payment of the Guaranty Premium shall be binding only if it is supported by the **HGC** official receipt.
  3. **Premium Rebates** – In the event of pretermination or pre-payment of any of the guaranteed Retail Loans and upon submission of proof of pretermination of the loan within the first six (6) months that the guaranty is in force, the **HGC** shallallow a rebate equivalent to fifty percent (**50**%) of the annual Guaranty Premium paid in favor of the **CLIENT**. Any request for rebates shall be made during the effectivity of the guaranty coverage, otherwise, the same shall be deemed waived.

**ARTICLE VIII**

**REPRESENTATIONS AND WARRANTIES**

* 1. Upon enrollment or renewal of acounts for guaranty coverage, and during the effectivity of the Contract of Guaranty, the **CLIENT** warrants that:
     1. The documents evidencing the Retail Loan and the mortgage/collateral securing the repayment thereof are valid, binding and enforceable against the Mortgagor or Borrower, Real Estate Developer, and all other parties concerned;
     2. It has undertaken all requisite credit investigation, appraisal and credit evaluation in approving the Retail Loan;
     3. It is not in violation of the respective rules and regulations of any regulatory or supervisory agency such as, but not limited to, the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission or Housing and Land Use Regulatory Board;
     4. The Retail Loan is eligible for guaranty coverage and shall be used exclusively for the purposes set forth in accordance with Article V of this Terms and Conditions;
     5. It has notified the Mortgagor or Borrower that the Retail Loan is covered by an **HGC** guaranty;
     6. The Retail Loan is covered by a Mortgage Redemption Insurance and the collateral is likewise secured by a Fire Insurance; and
     7. It shall perform the accounts management and credit supervision functions to ensure repayment of the Retail Loan
  2. In addition to the applicable warranties under Section 8.1 above, the **CLIENT** shall make the following warranties in connection with CTS accounts:
     1. The required minimum downpayment on the selling price has been paid by the Borrower in accordance with housing package as indicated in Article 5.1.7;
     2. It receives direct payments of receivables arising from the CTS that have been assigned to it. However, it may delegate the collection of receivables to the Real Estate Developer or other party to be covered by a Servicing Agreement or similar document, a copy of which shall be submitted to the **HGC** for its prior approval. Nothwitstanding the delegation of the collection of receivables, CLIENT warrants that it shall continue to be responsible for accounts management and credit supervision;
     3. The Deed of Assignment of Rights under the CTS and the underlying property is registered with the Registry of Deeds and annotated on its title prior to payment of call. The TCT subject of the CTS is in the custody of the **CLIENT**;
     4. The accounts have satisfied the seasoning requirement as follows:

|  |  |
| --- | --- |
| Buyer’s Equity at the time of HGC’s  Acceptance | Seasoning Period |
| 10% | 2 years |
| 20% | 1 year |
| 30% | None |

* + 1. Upon call on the guaranty, the **CLIENT** further warrants that:

1. The housing unit subject of the CTS is completed in accordance with specifications committed by developer;
2. The LCR shall not exceed HGC’s required LCR per loan as indicated in Article 5.1.5;
3. There are no pending claims under the Maceda Law;
4. Notarial Act of Cancellation of CTS has been undertaken;
5. The property subject of the CTS is vacated upon assignment to the **HGC**; and
6. Payment of Real estate taxes and association dues are up to date.
   1. The **CLIENT** shall be liable for any breach of warranty. **HGC** shall give the **CLIENT** a written notice of findings of any breach of warranty and require the **CLIENT** to correct and comply with the same within (60) days from receipt of such written notice. **HGC** shall have the right to cancel or terminate this Contract on the particular account where the breach is committed upon failure of the **CLIENT** to comply despite such notice.
   2. The **HGC** represents and warrants to the **CLIENT** as follows:
      1. It is a government-owned and controlled corporation created and validly existing under the laws of the Philippines, has its principal office at the address indicated in the Contract of Guaranty and is qualified to do business;
      2. It has full legal right, power and authority to carry on its business, to incur the obligations provided for in the Contract of Guaranty, to execute and deliver documents, and abide by the terms and conditions hereof;
      3. All necessary corporate and legal actions have been taken by it to authorize the execution, delivery and performance of the Contract of Guaranty, and the performance of any provision, condition, covenant or other terms thereof;
      4. The Contract of Guaranty constitutes its legal, valid and binding obligation, enforceable in accordance with its terms. The execution and delivery by the **HGC**, and the performance by it of the terms of the Contract of Guaranty: (i) will not violate or contravene any law of the Republic of the Philippines which is applicable to it, and (ii) will not contravene any provision of its charter documents;
      5. The obligations of the **HGC** under the Contract of Guaranty constitute its direct, absolute and unconditional obligations, unless otherwise stated and/or qualified in the Contract of Guaranty; and
      6. The rights and the performance of obligations hereunder by **HGC**, constitute private and commercial acts done and performed for private and commercial purposes.

**ARTICLE IX**

**RENEWAL OF GUARANTY**

9.1. **Renewal** – The **CLIENT** may renew the guaranty coverage under the same eligibility requirements in Article V and representations and warranties provided for in Article VIII above.

9.2 **Grace Period** – A grace period of thirty (30) calendar days from anniversary date shall be allowed for the payment of the annual Guaranty Premium for each batch of Retail Loans.

Failure to pay the Guaranty Premium within the grace period shall entitle the **HGC** to consider the guaranty coverage terminated, without need of notice to the **CLIENT**.

**ARTICLE X**

**REINSTATEMENT OF GUARANTY COVERAGE**

The **HGC** shall, upon the request of the **CLIENT** within sixty (60) calendar days from anniversary date, reinstate the lapsed guaranty cover provided that all the requirements for renewal have been complied with except for payment of the Guaranty Premium on time. The Guaranty Premium including penalty of three percent (3%) per month based on the premium due computed until the time of actual payment should be remitted to the **HGC** upon request for reinstatement. The effectivity of the coverage shall retroact to the anniversary date.

**ARTICLE XI**

**CALL AND PAYMENT OF GUARANTY BENEFIT**

* 1. **Notice of Guaranty Call** – The **CLIENT** must file its Notice of Guaranty Call within a period of thirty (30) calendar days from date of Default of the Mortgagor or Borrower. An appraisal of the property subject of the call shall be made by the **HGC** upon receipt of the Notice of Guaranty Call.

* 1. **Documentary Requirements** – The Notice of Guaranty Call and the following documents shall be submitted to **HGC** for evaluation within thirty (30) calendar days from Default:
     1. Statement of account of the Mortgagor or Borrower and statement of application of payments certified by the **CLIENT**;
     2. **CLIENT**'sCredit Approval or Evaluation Sheet of the Mortgagor or Borrower, supported by proof of income by the Borrower;
     3. Copy of the REM and loan documents including the TCT, Tax Declaration and CTS;
     4. Tax Identification Number (TIN) of the Mortgagor or Borrower;
     5. Appraisal report at the time of loan release and current appraisal report of the collateral;
     6. Notarized Special Power of Attorney executed by the **CLIENT** authorizing the **HGC** to take possession of the mortgaged property in the form attached hereto as **Appendix “D"**;
     7. Lot plan, vicinity map and, if applicable, technical plans;
     8. Copy of Notice to Mortgagor or Borrower that his account is covered by an **HGC** guaranty; and
     9. Copies of demand letters to the Mortgagor or Borrower.
  2. **Acceptable Property** – The **HGC** shall not accept any property subject of call if this is affected or damaged due to any fortuitous events or force majeure including but not limited to earthquake, flood, landslide or lahar, which reduces its value.

The property at the time of conveyance must be undamaged by fire. If the property is damaged by fire, the liability of the **HGC** shall be reduced by the fire insurance proceeds actually received by the **CLIENT** and applied to the loan.

* 1. **Evaluation and Approval of Guaranty Call** – The HGC shall evaluate the call within thirty (30) working days from receipt of the Notice of Guaranty Call and the complete documentary requirements enumerated under this Article. **HGC** shall send a written notice of approval or disapproval of guaranty call to the **CLIENT** within five (5) calendar days after the evaluation period.
  2. **Payment of Call –** The **CLIENT** shall be given thirty (30) calendar days to submit the required documents from the receipt of the written notice of approval.The **HGC** shall pay the call within thirty (30) calendar days from the receipt and verification of the following documents.

* + 1. For loan accounts covered by REM:
       1. A registered Deed of Assignment and Conveyance in the form shown in **Appendix** “**E**” hereof, transferring to the **HGC** all the **CLIENT**’s rights, title and interests under the loan documents and mortgage contract, and in the mortgaged property it has acquired through foreclosure or otherwise;
       2. Original copies of all contracts such as the REM, Loan Agreement, Promissory Notes and, if applicable, other relevant documents such as Special Power of Attorney (SPA), Master Deeds, Deed of Absolute Sale and the like;
       3. Official receipts and tax clearance showing updated payments on real property taxes due on the mortgaged property;
       4. Endorsement of the Fire Insurance Policy and Mortgage Redemption Insurance Policy to the **HGC**;
       5. Owner's copies of the Transfer Certificate of Title (TCT), Original Certificate of Title (OCT), Condominium Certificate of Title (CCT), with annotation of the Deed of Assignment and Conveyance to **HGC**;
       6. Copy of Notice to the Mortgagor or Borrower received by the Mortgagor or Borrower, that the account has been assigned or conveyed to the **HGC**; and
       7. Updated, complete and detailed statement of account of the Mortgagor or Borrower and statement of application of payments certified by the **CLIENT**.
    2. In addition to the requirements set forth above, the following shall also be required for CTS accounts:
       1. A certification that there are no pending claims from the buyers under the Maceda Law on the properties to be assigned to the **HGC**;
       2. The Deed of Cancellation of the CTS and the cancelled CTS;
       3. Registered Deed of Assignment and Conveyance of the property covered by the defaulted receivable in favor of the **HGC**;
       4. A Certification that the property subject of CTS is vacated prior to payment by the **HGC**; and
       5. A Certification that the payment of Association/Condominium Dues are up to date.

Non-submission of the complete documents within one hundred eighty (180) calendar days from receipt of **HGC**’s written notice of approval shall result to cancellation of the approval and non-payment of call.

Should the **HGC** receive the above documents within thirty (30) calendar days from the **CLIENT**'s receipt of the **HGC**'s written notice of approval, the guaranteed interest shall be computed up to the actual date of payment. Should the **HGC** receive the same beyond the prescribed thirty (30) calendar day period, but not to exceed the one hundred eighty (180) calendar day period mentioned above, the guaranteed interest shall be limited to nine (9) months starting from the day immediately following the application of the Mortgagor’s or Borrower’s last payment on his Retail Loan.

**ARTICLE XII**

**TERMINATION AND CANCELLATION**

12.1 **Grounds for Termination of Guaranty Coverage on Enrolled Accounts –** The commission of any of the following acts shall terminate the guaranty coverage provided that the **CLIENT** shall be given written notice of the fact and cause of termination.

* + 1. Non-payment of Guaranty Premiums and penalty fees, required herein.
    2. Violation of the **CLIENT** of any of its warranties and representations under Article VIII

hereof.

12.1.3 Transfer or assignment of the Contract of Guaranty to another person or entity without prior written consent of the **HGC**;

* + 1. Disposition by the **CLIENT** or by an approved transferee or assignee of an interest in the mortgage through a declaration of trust or some other documents without prior written consent of the **HGC**;
    2. Non-compliance by the **CLIENT** or by an approved transferee or assignee with any of the terms and conditions provided herein;
    3. Any misrepresentation committed by the **CLIENT** on any matter or account arising from or in connection with the subject guaranty; or
    4. The **CLIENT** has ceased to operate due to:

1. preliminary or permanent closure;
2. cancellation of franchise, permit, license or registration;
3. placement under receivership, sequestration, liquidation or judicial trusteeship
4. stay order or suspension of payments;
5. prevention from performing its regular functions by a court, administrative agency or government body clothed with appropriate power;
6. filing of a petition for insolvency, suspension of payment, cancellation of franchise, permit or registration.

In case of termination or cancellation of the guaranty coverage due to any of the foregoing, all premiums paid shall be forfeited in favor of **HGC**.

12.2 **Cancellation of Unavailed Guaranty Line –** The **HGC** may cancel the unavailed Retail Guaranty Line, subject to thirty (30) calendar day prior written notice given to the **CLIENT**, under the following grounds:

* + 1. Post Audit of the Retail Guaranty Line strongly shows violations by the **CLIENT** of any of its warranties issued under Article VIII;

12.2.2 The credit evaluation guidelines and procedures of the **CLIENT** are no longer acceptable to the **HGC**;

12.2.3 The Retail Guaranty Line has been unavailed for six (6) months from date of execution of the Contract of Guaranty; or

12.2.4 The **CLIENT** is unable to perform the accounts management and credit supervision functions required by the **HGC**.

**ARTICLE XIII**

**MISCELLANEOUS PROVISIONS**

* 1. **Right of Inspection –** The **HGC** shall have the right to inspect the mortgaged property and, in appropriate cases, the progress of construction, as well as all records pertaining to any Guaranteed Retail Loan to satisfy itself of the **CLIENT**’s compliance with its requirements, subject to prior written notice to the **CLIENT**.
  2. **Right to Audit** **–** The **HGC** shall audit the individual Mortgagor’s or Borrower’s loan documents enrolled against the Retail Guaranty Line subject to prior written notice to the **CLIENT**.
  3. **Assignment of Rights under Contract of Guaranty** **–** No assignment of rights under the Contract of Guaranty shall be made by the **CLIENT** without prior written consent of the **HGC,** which consent shall not be unreasonably withheld.
  4. **Authorized Representative of the HGC** **–** Whenever authority, consent or clarification is required to be given by the **HGC** under the Contract of Guaranty, the same shall be given only by its President or his duly authorized representative.
  5. **Out-of-Pocket Expenses** **–** If the **CLIENT** requests for an evaluation or inspection of property for a guaranty coverage, it shall reimburse the **HGC** of all actual and reasonable out-of-pocket expenses (such as, transportation, food and lodging).
  6. **Annual Review of Calls –** The **HGC** shall have the right to conduct annual review of Guaranty 8Calls to mitigate call risk. If call payments reach fifty percent (50%) of premiums received, an actuarial assessment of the Retail Guaranty Line will be conducted to assess its risk position and premium structure.
  7. **Commitment Fee** – The **CLIENT** shall be given six (6) months from approval of the Retail Guaranty Line to build-up accounts for enrollment.

If after the six (6) month period, the total amount of the Retail Guaranty Line or balance thereof remains unutilized, **HGC** shall have the following options:

a. Continue its commitment to guaranty future availments on the Retail Guaranty Line, in which case, the **CLIENT** must pay the commitment fee equivalent to one tenth (1/10) of one percent (1%) of the approved Retail Guaranty Line. The commitment fee shall be converted or credited as premium payment in direct proportion to the amount of guaranty enrollment based on the following formula:

Amount Enrolled

Premium Credit (P) = ----------------------- x Commitment Fee

Retail Guaranty Line

b. Cancel the unavailed balance of the Retail Guaranty Line.

Under the first option, the balance on the commitment fee shall be credited to future guaranty premiums but only for a maximum period of one (1) year. After the lapse of the one (1) year period, any remaining unavailed balance of the Retail Guaranty Line shall be deemed cancelled and the corresponding balance of the commitment fee shall be forfeited

* 1. **Amendment to Contract** **–** The Contract of Guaranty may be amended by mutual agreement of both parties in writing.
  2. **Separability** **–** If any one or more of the provisions contained in the Contract of Guaranty or this Terms and Conditions or any document executed in connection herewith shall be declared illegal or unenforceable, the legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.
  3. **Venue of Actions** – Any and all actions arising from the Contract of Guaranty shall be in the proper courts of Makati City to the exclusion of all other courts.
  4. **Governing Law** – The Contract of Guaranty shall be governed by and construed in accordance with the laws of the Republic of the Philippines.
  5. **Remedies and Waivers** – Unless expressly provided in the Contract of Guaranty or in this Terms and Conditions, neither failure nor delay by any party to exercise any right or remedy under the Contract of Guaranty or in this Terms and Conditions shall operate as a waiver. Neither shall any single or partial exercise of any right or remedy prevent any further exercise thereof. The rights and remedies provided in the Contract of Guaranty or in this Terms and Conditions are cumulative and not exclusive of any rights or remedies provided by law.

* 1. **Counterparts** – The Contract of Guranty may be signed in any number of counterparts. Any single counterpart or a set of counterparts signed, in either case, by the parties hereto shall constitute a full and original contract for all purposes.