



Department Order No. 2021-007
Series of 2021

**THE 2021 REVISED IMPLEMENTING RULES AND REGULATIONS
OF REPUBLIC ACT NO. 9904, OTHERWISE KNOWN AS
THE MAGNA CARTA FOR HOMEOWNERS AND
HOMEOWNERS ASSOCIATIONS**

Pursuant to Section 28 of Republic Act No. 9904, otherwise known as the *Magna Carta for Homeowners and Homeowners Associations*, as amended by Section 5, paragraph IV(a) and Section 25, paragraph (c) of Republic Act No. 11201, the *Department of Human Settlements and Urban Development Act*, the following 2021 Revised Implementing Rules and Regulations of Republic Act No. 9904 or the "Rules" is hereby promulgated:

Rule I
PRELIMINARY PROVISIONS

Section 1. Title. The following shall be known as the "2021 Revised Implementing Rules and Regulations of Republic Act No. 9904."

Section 2. Declaration of Policy. Cognizant of the Constitutional principles directing the State to encourage, promote, and respect nongovernmental, community-based, and the people's right to form organizations and initiate associations in serving their legitimate collective interests in our participatory democracy, it is the policy of the State:

- a. To uphold the rights of the people to form associations;
- b. To recognize and promote the rights and the roles of homeowners as individuals and as members of the society and of homeowners associations;
- c. To make available resources and assistance that will help them fulfill their roles in serving the needs and interests of their communities; and
- d. To complement the efforts of local government units (LGUs) in providing vital and basic services to their citizens, and in helping implement local and national government policies, programs, rules and ordinances for the development of the nation.

Section 3. Construction. This Rules shall be construed and interpreted liberally in order to carry out the objectives and principles of Republic Act No. 9904.

Section 4. Definition of Terms. As used in this Revised Implementing Rules and Regulations, the following terms shall mean:

- a. *Accounting period* shall refer to the fiscal or calendar year adopted by an association in the recording and reporting of its fiscal transactions.
- b. *Adjudicatory mechanism* shall refer to the procedure in settling disputes involving the registration of two (2) or more associations established within the same subdivision/village, defined community, or housing project.
- c. *Approved subdivision plan* shall refer to a plan drawn to scale showing the divisions of a piece of land intended for subdivision development projects, including off-site Community Mortgage Program (CMP), delineating its open space and individual lots, bearing the signature of a licensed professional, and the stamp of approval of the National Housing Authority (NHA), Housing and Land Use Regulatory Board (HLURB), Department of Human Settlements and Urban Development (DHSUD), LGU concerned and/or any appropriate government agency.
- d. *Association* shall refer to a homeowners association which is a non-stock, nonprofit association registered with DHSUD, or one previously registered with HLURB, Home Insurance and Guaranty Corporation (HIGC, now Home Guaranty Corporation or HGC), or Securities and Exchange Commission (SEC), organized by and/or is primarily composed of:
 1. Owners or purchasers of a lot in a subdivision/village or other residential real property located within the jurisdiction of the association;
 2. Awardees, usufructuaries, legal occupants and/or lessees of a housing unit and/or lot in a private, nongovernment or government socialized or economic housing or relocation project and other urban estates;
 3. Underprivileged and homeless citizens as defined under existing laws who are in the process of being accredited as usufructuaries or awardees of ownership rights under CMP, Land Tenure Assistance Program (LTAP) and other similar programs in relation to a socialized housing project actually being implemented by the national government or the LGU; and
 4. Potential public housing beneficiaries living in contiguous areas, identified and duly accredited or recognized by, or organized with the assistance of the LGU, the Presidential Commission for the Urban Poor (PCUP), or the National Urban Poor Sectoral Council (NUPSC) for the purpose of availing of housing and/or resettlement programs or

housing projects being implemented by the said LGU and/or the national government agencies (NGAs), in which case they will be initially authorized to organize a form of homeowners association known as a neighborhood association.

- e. *Association dues* shall refer to the amounts charged to the members on a regular basis primarily intended to defray the expenses incurred by the association.
- f. *Association member* shall refer to a homeowner who is a member of the association where the residential unit or lot is situated and those defined in the Articles of Incorporation/Association and bylaws of the association.
- g. *Basic community services and facilities* shall refer to services and facilities that redound to the benefit of all homeowners and from which, by reason of practicality, no homeowner may be excluded such as, but not limited to, security, street and vicinity lights, maintenance, repairs and cleaning of streets, garbage collection and disposal, and other similar services and facilities.
- h. *Board* shall refer to the Board of Trustees or Directors of the association which has primary authority to manage its affairs.
- i. *Bylaws* shall refer to the association's primary rules of governance, the institution and limitation of powers of its trustees or directors, and officers, and the establishment of rights and obligations of homeowners and association members consistent with Republic Act No. 9904 and its implementing rules and regulations, guidelines, and pertinent provisions of the deed of restrictions.
- j. *Certificate of Incorporation* shall refer to the document issued by DHSUD to an association that has completed all the requirements for registration. The term includes Certificates of Registration/Incorporation previously issued to an association by HLURB, as well as those issued by the SEC and the HIGC/HGC prior to the effectivity of Republic Act No. 9904.
- k. *Common areas* shall refer to property owned or otherwise maintained, repaired, or administered in whole or in part by the association including, but not limited to, roads, parks, playgrounds, and open spaces as provided for in Presidential Decree No. 1216.
- l. *Common expense* shall refer to costs incurred by the association in the exercise of any of the powers provided for in Republic Act No. 9904.
- m. *Community Mortgage Program (CMP)* shall refer to a mortgage financing program of the Social Housing Finance Corporation (SHFC) which assists legally organized associations of underprivileged and homeless citizens to

purchase and develop a tract of land under the concept of community ownership.

- n. *CMP Off-site Project* shall refer to a defined community where the beneficiaries come from other identified communities.
- o. *CMP On-site Project* shall refer to a defined community where the beneficiaries already occupy the land they purchased or intend to purchase.
- p. *Confederation* shall refer to an organization of federated homeowners associations created and registered to pursue common goals beneficial to the interests of the constituent associations and the members thereof.
- q. *Consolidation* shall refer to the union of two (2) or more associations in contiguous areas resulting in the termination of their respective existence for the purpose of the creation of a new association or the consolidated association.
- r. *Constituent associations* shall refer to registered associations which are parties to a merger, consolidation or federation.
- s. *Contiguous area* shall refer to two (2) or more subdivisions or community housing projects or phases thereof that are physically related or linked by a shared infrastructure and well-defined adjoining or common boundaries, whether fully or partially.
- t. *Delinquent member or Member not in good standing* shall refer to a member who has been declared as such after due notice and hearing on the basis of the grounds and in accordance with the procedures set forth under the bylaws and/or existing policies of the association or, in lieu thereof, under this Rules.
- u. *Economic housing* shall refer to a type of housing project with lower interest rates and longer amortization periods provided to moderately low income families as defined under existing laws, rules and regulations.
- v. *Election contest* shall refer to any controversy or dispute involving title or claim to any elective office in an association, the validation of proxies, the manner and validity of elections, and the qualifications of candidates, including the proclamation of winners, to the office of trustee or director, and/or other officer directly elected by the members of the association where the Articles of Incorporation and/or bylaws so provide.
- w. *Federation* shall refer to an organization composed of at least two (2) or more registered homeowners and/or neighborhood associations created and registered to pursue common goals beneficial to the interests of the constituent associations and members thereof.

- x. *General Information Sheet (GIS)* shall refer to a document that contains, among other data, the name of the association, its principal office address, official email address and contact number, the names of its trustees or directors, its officers and their positions, and their respective addresses, duly submitted to the DHSUD or its predecessors as part of the annual reportorial requirements.
- y. *Governing documents* shall refer to the Articles of Incorporation, Bylaws, conditions, rules and regulations of the association, or other written instruments by which the association has the authority to exercise any of the powers provided for in Republic Act No. 9904.
- z. *Homeowner* shall refer to any of the following:
 - 1. An owner or purchaser of a lot or house and lot, in a subdivision/village who acquired the same primarily for residential purposes;
 - 2. An awardee, usufructuary, or legal occupant of a unit, house and/or lot in a private, nongovernment or government socialized or economic housing or relocation project and other urban estates;
 - 3. An informal settler in the process of being accredited as beneficiary or awardee of ownership rights under the CMP, LTAP, and other similar programs.
- aa. *Independent Auditor* shall refer to a licensed or Certified Public Accountant (CPA) accredited by a professional organization, such as, but not limited to, the Philippine Institute of Certified Public Accountants (PICPA) and other related professional organizations.
- bb. *Inter-association dispute* shall refer to a controversy which arises out of the relations between and among two (2) or more associations.
- cc. *Intra-association dispute* shall refer to a controversy arising out of the relations between or among members of the association, between any or all of them and the association of which they are members, between a homeowner and the association, between a homeowner and an association member, and between such association and the State insofar as it concerns their individual franchise or right to exist. It also refers to a controversy which is intrinsically connected with the regulation of associations or dealing with the internal affairs of such entity.
- dd. *Lessee* shall refer to a person leasing or renting a residential unit in a subdivision or village. For purposes of CMP or similar government social housing projects, the term shall refer to a beneficiary as referred to under Section 6 of Republic Act No. 9904.

- ee. *Membership fees* shall refer to the amount paid by a member in consideration for membership in the association.
- ff. *Merger* shall refer to the union of two (2) or more associations in contiguous areas into a single association resulting in the survival of the juridical existence of one (1) of the associations and the termination of the others.
- gg. *Neighborhood association* shall refer to a group of potential public housing beneficiaries living in contiguous areas, identified and accredited by or organized with the assistance of the LGU, or those recognized and organized with the assistance of NUPSC or PCUP for the purpose of availing of housing programs or projects being implemented by the LGU or national agencies. "Neighborhood association" is deemed embraced within the term "homeowners association" when organized for this purpose.
- hh. *Plan of Merger or Consolidation* shall refer to a document containing the proposed merger or consolidation of registered associations primarily the terms and conditions thereof, duly approved by the majority of all members of the Board and the members of each of the constituent association.
- ii. *Regional Office* shall refer to the DHSUD office that has jurisdiction over the region where the subdivision/village or community served by the association is located.
- jj. *Simple majority* shall refer to fifty percent (50%) plus one (1) of the total number of association members or, when specified under the bylaws or this Rules, of the total number of members in good standing.
- kk. *Socialized housing* shall refer to the housing programs and projects undertaken by the Government or by the private sector for the underprivileged and homeless citizens, following the standards of Batas Pambansa Blg. 220 and other relevant laws, and price ceilings as determined by the DHSUD and the National Economic and Development Authority (NEDA). This shall include sites and services development, basic services and community facilities, settlements upgrading, vertical housing development, long-term financing, liberalized terms on interest payments, and such other benefits in accordance with law.
- ll. *Subdivision or Village* shall refer to a tract or parcel of land partitioned into individual lots, with or without improvements thereon, primarily for residential purposes.
- mm. *Usufructuary* shall refer to a person who has been given the right to enjoy the property of another with the obligation of preserving its form and substance.

**Rule II
HOMEOWNERSHIP**

Section 5. Commencement of Homeownership. Homeownership begins:

- a. By owning a lot in a subdivision/village and other real estate development for residential purposes;
- b. By purchasing a lot and/or unit in a subdivision/village and other similar real estate development project for residential purposes;
- c. By being an awardee, usufructuary, or legal occupant of a unit, house and/or lot in a private, nongovernment or government socialized or economic housing or relocation and/or resettlement project and other urban estates; and
- d. By being a prospective beneficiary or awardee of ownership rights under the CMP, LTAP, and other similar programs.

Section 6. Termination of Homeownership. Homeownership ends by:

- a. Terminating ownership of the property through conveyance by sale, assignment or donation; or
- b. By any other legal transfer of ownership which shall authorize the association to deny homeowner rights to the transferor under this Section.
- c. In CMP, LTAP, and other similar programs, by the substitution of a beneficiary, and/or expulsion from membership, after due notice and hearing.

Section 7. Right of Every Homeowner. Every homeowner has the right to enjoy the basic community services and facilities *provided* that the homeowner pays the necessary fees and other pertinent charges for such services.

Section 8. Duties and Responsibilities of a Homeowner. A homeowner shall have the following duties:

- a. To pay the necessary fees, charges pertaining to basic community services, and other special assessments such as, but not limited to, vehicle pass stickers, construction fees and/or bond;
- b. To comply with the village/subdivision/project rules and regulations, policies, and with the deed of restrictions and covenants annotated in the title or attached or embodied in the contract to sell or deed of absolute sale; and

- c. To comply with the Department orders, rules and regulations, legal orders, directives and other issuances of the DHSUD.

Rule III
MEMBERSHIP IN THE ASSOCIATION

Section 9. *Nature of Membership.* Membership in the association is voluntary unless –

- a. Automatic or compulsory membership is provided in the contract to sell, deed of sale, other instruments of conveyance, and/or deed of restrictions annotated in the title of the property, or attached or embodied in the contract to sell or deed of absolute sale; or
- b. Membership in the association is a requirement for an award under the CMP, LTAP, government housing and/or resettlement programs, and other similar tenurial arrangement.

Section 10. *Qualifications of a Member.* Every homeowner shall be qualified to be a member of the association.

Except members of associations organized to avail of the benefits of the CMP, NHA projects and similar tenurial arrangements, a lessee of a member under a contract with a term of at least one (1) year may qualify to be a member and shall have the rights of a member upon procurement of a written consent or authorization from the owner of the lot and/or housing unit, and upon complying with the requirements of membership under the bylaws and the law.

When the member owns more than one (1) lot and/or housing unit, or a multi-dwelling that are leased out to two (2) or more lessees, the written consent or authorization required herein shall be issued to only one (1) of them.

For co-owners and co-lessees, they shall designate among themselves through an irrevocable special power of attorney one who shall exercise all rights, obligations and prerogatives of membership, and agree to be bound by the consequences of the agent's actions and omissions.

Until the written consent or authorization is revoked in writing, or the period of the lease has expired or has been cancelled, the owner of the lot and/or housing unit is deemed to have waived the rights of an association member except the right to inspect association books and records which can be simultaneously enjoyed by both the original homeowner-member and the lessee-member.

Section 11. *Commencement of Membership.* Unless membership in the association is automatic or compulsory, it shall become effective upon acceptance by the Board of the application for membership, and payment of membership fee.

Section 12. Termination of Membership. Membership in the association is terminated once the member ceases to be a homeowner. Termination of membership shall extinguish all rights of a member under Republic Act No. 9904 and under this Rules.

Section 13. Rights of a Member. A member shall have the following rights:

- a. Avail of and enjoy all basic community services and the use of common areas and facilities, *Provided*, the member is in good standing;
- b. Inspect association books and records during office hours and to be provided, upon request, with a copy of annual reports, including financial statements, at the member's own expense;
- c. Participate, vote and be eligible for any elective or appointive office of the association subject to the qualifications as provided for in the bylaws, and in this Rules;
- d. Participate in association meetings, elections and referenda, *Provided*, the member is in good standing, unless otherwise provided in the bylaws, and existing rules and regulations of DHSUD, or ordered in final decisions of the HLURB/HSAC or ordered by DHSUD when acting as a special Election Committee under special circumstances;
- e. Demand and promptly receive refund of deposits such as construction bonds, required by the association as soon as the condition for the deposit has been complied with or the period therefor has expired; and
- f. To enjoy all other rights as may be provided in the bylaws of the association, subject to the limitations as may be provided in the bylaws.

Section 14. Duties of a Member. A member shall have the following duties:

- a. To timely pay monthly dues, fees and special assessments;
- b. To attend meetings of the association;
- c. To support and participate in the projects and activities of the association;
- d. Comply with all other duties as required by the association's bylaws, policies, rules and regulations, and deed of restrictions.
- e. In case of beneficiaries of CMP, LTAP or other similar programs, to timely pay monthly amortizations and comply with the conditions of the award or grant as provided in the Lease Purchase Agreement (LPA) or other contracts governing their transaction.

Non-compliance with the above and all other duties may be a ground for the imposition of sanctions against a member after complying with the procedure laid down in the bylaws or as provided in this Rules.

Section 15. Voting Rights. Unless otherwise provided in the Bylaws, each member shall be entitled to one (1) vote regardless of the number of properties owned. A member may exercise his/her/its voting right in person or by proxy.

Section 16. Delinquent Member or Member Not in Good Standing. Unless otherwise provided in the bylaws, a member may be declared delinquent or not in good standing by the Board of Directors on any of the following grounds:

- a. Failure to pay at least three (3) cumulative monthly dues or membership fees, and/or other charges and/or assessments despite repeated demands by the association;
- b. Finding of repeated violation of and non-compliance with, including but not limited to, final orders and directives, pertinent laws, rules and regulations and policies issued by duly constituted authorities, and the association's bylaws, policies or rules and regulations;
- c. Commission of conduct inimical to the interest of the association and/or the community as provided in the bylaws and determined by the Board from competent proof and after due notice and hearing, to have been committed by the member;
- d. Failure to attend membership meetings in person or by proxy without any justifiable reason for at least three (3) consecutive general membership meetings despite receipt of notice; and
- e. In case of CMP, LTAP or other similar programs, failure to pay at least three (3) monthly amortizations, or as provided in the LPA or other contracts governing their transaction.

A member who has been declared delinquent or not in good standing in accordance with the procedure in the succeeding Section is not entitled to exercise the rights of a member, but is nevertheless obliged to pay all fees and dues assessed a member in good standing.

Section 17. Procedure in Declaring a Member Delinquent or not in good standing. The Board or a committee assigned by the Board shall observe the following procedure in declaring a member delinquent or not in good standing:

- a. The Board or the committee shall preliminarily determine whether or not a member may be declared delinquent or not in good standing on any of the grounds provided in the bylaws or as stated in the preceding section, based on the association's records on file with the Regional Office.

- b. The president or the designated officer of the association shall forthwith notify the said member in writing of the violation and require him/her to explain in writing, within fifteen (15) days from the receipt of the notice of violation, why he/she should not be declared delinquent or not in good standing.

In case the violation was for non-payment of dues, fees and other assessments, the notice shall state that the said member is given a grace period of sixty (60) days reckoned from the receipt of the notice to pay his/her/its arrears. The member shall notify the Board of his/her intention to avail of the grace period within fifteen (15) days from the receipt of the said notice.

- c. After the lapse of fifteen (15) days, with or without a written explanation or notice of intention to avail of the grace period, the President or the designated officer shall submit the matter to the Board or the Committee for hearing and deliberation. If a Committee shall hear and deliberate, it shall transmit to the Board a summary of its findings and recommendations.
- d. Within fifteen (15) days from the commencement of the hearing and deliberations, or the termination thereof, whichever is earlier, by majority vote of all members of the Board, the member may be declared delinquent or not in good standing.
- e. The President shall notify the member concerned of the decision of the Board and shall furnish him/her a copy of the board resolution.
- f. The member declared delinquent or not in good standing may file a motion for reconsideration with the Board within ten (10) days from the receipt of the board resolution declaring him/her delinquent or not in good standing. The motion must be resolved by the Board within five (5) days from the receipt thereof.

Section 18. Sanctions against a Delinquent Member or a Member not in good standing. The rights and privileges of a member is suspended upon the declaration of delinquency by the Board. Such suspension shall extend to his/her co-owner/homeowners or co-lessees, as applicable, and all those residing in his/her property.

Nothing in this Rules shall prevent the association from imposing other sanctions against the delinquent member in accordance with law and the bylaws, *Provided*, that where the water system is operated by or under the control of the association, the cutting-off of water supply shall not be imposed as a sanction.

Section 19. Reinstatement of a Delinquent Member or a Member Not in Good Standing. Unless otherwise provided in the bylaws, the Board shall, by majority vote of those present at a meeting at which there is a quorum, reinstate

the membership of the delinquent member or member not in good standing within ten (10) days from the receipt of proof of payment of the unpaid dues, fees or charges, or satisfaction of the sanctions imposed.

If the Board fails to reinstate the suspended member within the prescribed period through no fault of the delinquent member, such as but not limited to the failure of the Board to hold a meeting or muster a quorum, his/her membership shall automatically be deemed reinstated and all rights restored at the lapse of the prescribed period.

When the declaration of delinquency is on the ground of non-payment of dues or, in case of CMP, LTAP and other similar government projects from non-payment of monthly amortizations, the member shall notify the association, in writing, his/her payment and present proof of payment. Full payment of the arrears shall automatically reinstate his/her status of good standing on the day following the receipt by the association of the notice and proof of payment.

Section 20. Resolutions Delisting or Expelling Association Members in Land Tenorial Projects. In cases of CMP, LTAP and other similar land tenorial projects/arrangements, the board resolutions of associations delisting and/or expelling members from the association, and the corresponding substitutions, if any, and proof of the receipt by the expelled member of the resolution, or proof of service of the resolution to the last known address of the expelled member, shall be submitted by the association to the Regional Office with proof of receipt of a copy thereof by the LGU housing or settlements unit, SHFC, NHA, or any other agency administering and/or managing the housing project within fifteen (15) days from its adoption. Otherwise, the delisting or expulsion of members shall not be enforceable.

Substitution of members shall only be enforceable upon the approval of the agency administering and/or managing the housing project.

Rule IV ARTICLES OF INCORPORATION AND BYLAWS

Section 21. Articles of Incorporation. The Articles of Incorporation, signed by all incorporators on each and every page thereof, shall substantially contain the following:

- a. Name of the association;
- b. Specific purpose or purposes of the association. Where the association has more than one (1) stated purpose, the Articles shall state the primary and secondary purposes;

- c. Complete principal office address, contact number, and electronic mail address, if any;
- d. Term of existence;
- e. Names, nationalities and residences of the incorporators;
- f. Names, nationalities and residences of the interim trustees or directors which shall not be less than five (5) nor more than fifteen (15) who may or may not be incorporators, until the first regular trustees or directors are duly elected and qualified;
- g. Number of trustees or directors which shall not be less than five (5) nor more than fifteen (15) elected trustees or directors;
- h. Amount of capital, if any, of the incorporators as well as the amount of contributions by each; and
- i. Such other matters not inconsistent with law and which the incorporators may deem necessary and convenient.

Section 22. Bylaws. The bylaws of an association shall be adopted by the majority of all members of the association regardless of standing. It shall provide for the following:

- a. The qualifications, rights, duties and obligations of members;
- b. The circumstances under which membership is acquired, maintained, and lost;
- c. The grounds and procedure by which members are declared delinquent or not in good standing, the penalties and sanctions imposable on a delinquent member or a member not in good standing, and the manner or procedure through which the declaration may be lifted and the member restored to good standing;
- d. The schedule, venue, and manner of conducting the regular, special and emergency meetings of the general membership, the required quorum, and allowable proxies in such meetings;
- e. The date for holding the regular election of trustees or directors and the mode or manner of giving notice thereof;
- f. The number, qualifications, powers and duties, manner of electing and removing the members of the Board and/or officers, the filling of vacancies in the Board, and the term of office, *Provided*, that the term of office of trustees or directors shall not exceed two (2) years;

- g. The qualifications, positions, duties, election or appointment, and compensation of other officers and employees of the association: *Provided*, that the term of office of the other officers shall not exceed two (2) years: *Provided, further*, that no officer of the association holding a rank of trustee or director shall be entitled to any compensation;
- h. The grounds and procedure for removal of trustee or director and/or officer, and the manner of filling of vacancies in the Board, consistent with Section 13 of Republic Act No. 9904;
- i. The grounds and procedure for dissolution of the Board, and the manner of reconstituting the Board, consistent with Sections 13 and 14 of Republic Act No. 9904;
- j. The actions for limiting, broadening or denying the right to vote, and the extent thereof;
- k. The officer(s) authorized to prepare, execute, certify and record amendments to the governing documents on behalf of the association;
- l. The designation of the presiding officer at meetings of the Board and of the members;
- m. Such powers that the Board may delegate to a managing agent, if any, or to other persons or committees;
- n. The creation of election, grievance and audit committees whose members should be in good standing and not members of the Board, and such other committees which the association may deem necessary; as well as a conciliation or mediation mechanism for the amicable settlement of disputes among members, trustees or directors, officers and/or committee members of the association, and homeowners;
- o. The dues, fees, and other assessments to be imposed on a regular basis, and the manner in which the same may be imposed and/or increased;
- p. The procedure in the adoption, amendment, repeal and abrogation of the bylaws;
- q. The list of acts constituting a violation by its trustees or directors and/or officers and the corresponding penalties therefor;
- r. The imposable penalties for violation of particular provisions of the bylaws; and

- s. Such other matters necessary for the proper and/or convenient transaction of its business and affairs.

Section 23. Amendment of the Articles of Incorporation and/or Bylaws.

The Articles of Incorporation and/or Bylaws of the association may be amended by the majority vote of all members of the Board, and majority of all members of the association regardless of standing, at a regular or special meeting called for the purpose, or as a result of a referendum after the proposed amendments are discussed in a regular or special meeting of the association members.

The association shall file with the Regional Office a written application to amend its Articles of Incorporation and/or its Bylaws accompanied by the following documents in triplicate:

- a. The Articles of Incorporation and/or Bylaws, as amended, underscoring or underlining the changes made;
- b. Notarized Board Resolution approving and adopting the proposed amendments, with the amendments clearly stated therein, that the same were approved by majority vote of all the board members at a meeting where there was a quorum, and the date of the said meeting;
- c. Notarized Secretary's Certificate attesting that the amendments were approved by the majority vote of all members of the association regardless of standing, and stating therein the date of the members' meeting, and the fact of quorum; and
- d. Minutes of the meetings of the Board, and of the General Assembly called for the purpose, both duly certified as true and correct by the association's secretary, and the attendance sheet of the General Assembly signed by the members present and indicating therein their corresponding votes.

Section 24. Amendment by Initiative. The amendment of the Articles of Incorporation and/or the Bylaws may also be initiated by the members in good standing of the association, without the approval of the Board of Directors as follows:

- a. The petition to amend shall be signed by at least thirty percent (30%) of the members in good standing and submitted to the Election Committee. If no Election Committee exists, the petition shall be submitted to the Regional Office, and the latter shall create an Election Committee for this purpose.
- b. Within ten (10) days from the completion of the validation of signatures, the Election Committee shall notify all members of the association of the date, time and venue of the special meeting for the purpose of deliberation and approval or disapproval of the proposed amendments through any available means. The notice of meeting and a copy of the proposed amendments shall

be posted at the bulletin board of the association, and in at least three (3) conspicuous places within the subdivision/village or community.

- c. The vote of a simple majority of all members of the association regardless of standing shall be necessary to approve the proposed amendments. Within ten (10) days from the meeting at which the amendments were approved, the Election Committee shall file with the Regional Office the application to amend, attaching thereto the following:
1. Petition to amend duly signed by thirty percent (30%) of the members in good standing;
 2. The Articles of Incorporation and/or Bylaws, as amended, underscoring or underlining the change/s made;
 3. Notarized Certificate of the Election Committee attesting that the amendments were approved by majority vote of all members of the association regardless of standing, and stating therein the date of the regular or special general assembly meeting called for the purpose, and the fact of quorum and approval of the proposed amendments; and
 4. Minutes of the special general assembly meeting, and the attendance sheet signed by the members present and their corresponding votes.

Section 25. Issuance of Certificate of Amended Articles of Incorporation and/or Certificate of Amended Bylaws. If the amendments to the Articles of Incorporation and/or Bylaws are found not contrary to law or public policy and do not adversely affect any interest, the Regional Office shall issue the appropriate Certificate of Amended Articles of Incorporation or Certificate of Amended Bylaws.

When a change in the association name is approved, the Regional Office shall issue an amended Certificate of Incorporation under the amended name, but indicating in parentheses the former name of the association.

The amendments shall take effect upon its approval by the DHSUD with the issuance of a Certificate of Amended Articles of Incorporation or Certificate of Amended Bylaws; *Provided*, That amendments that shall serve to lengthen or shorten the term of office of trustees or directors and/or officers shall not apply to the incumbent.

Rule V REGISTRATION OF HOMEOWNERS ASSOCIATIONS

Section 26. Number of Associations. Only one (1) homeowners association shall be established and registered with DHSUD in each subdivision/village or

defined community, except in cases where the subdivision consists of two (2) or more contiguous phases but registered or licensed as one (1) project. In such cases, each phase may organize and register an association. The registration of each association shall bear the phase number or any other identification of the project's phase.

In case two (2) or more associations are registered or applying for registration within the same subdivision, the same shall be governed by the adjudicatory mechanism as provided in Section 36 of this Rules.

Section 27. Mandatory Registration. All associations whose purpose, among others, is to promote and protect their mutual interest and assist in their community development as homeowners are considered homeowners associations. It is mandatory for all homeowners and/or neighborhood associations, federations, confederations or other umbrella organizations of associations to register solely with DHSUD conformably with Republic Act No. 11201, except:

- a. Homeowners associations that registered with HLURB; and
- b. Associations previously registered with the SEC or HIGC/HGC that have re-registered with HLURB pursuant to the 2004 HLURB Rules on Registration and Supervision of Homeowners Associations or the 2011 Implementing Rules and Regulations of Republic Act No. 9904.

The registration with DHSUD shall serve to grant juridical personality to all such associations that have not previously acquired the same by operation of the General Corporation Law or by any other general law. Upon full compliance with the requirements for registration, the association shall be issued a Certificate of Incorporation.

The registration of associations previously registered with the SEC or HIGC/HGC, but who did not re-register with HLURB, shall however be respected and recognized and these associations shall not be charged a penalty when they re-register with the DHSUD, *Provided*, that the non-application of penalty shall not apply to associations obtaining registration with the SEC upon the effectivity of this Rules.

Section 28. Procedure for Registration of a New Association; Basic Requirements. The applicant association shall, upon payment of the prescribed fees, submit to the DHSUD Regional Office where the association is to operate or located, the following documents in triplicate:

- a. Notarized Articles of Incorporation signed on each and every page thereof by all the incorporators consisting of not less than five (5) nor more than fifteen (15) natural persons;

- b. Notarized Bylaws signed on each and every page thereof by all incorporators or members of the interim Board consisting of not less than five (5) nor more than fifteen (15) natural persons;
- c. Except for registration of associations initiated by subdivision owners/ developers, the minutes of the general assembly meeting certified by the interim secretary and attested to by the interim president, stating, among others, the date of the meeting and the fact of quorum, together with the attendance sheet signed by the members present and their corresponding votes approving or disapproving the Bylaws.
- d. Notarized General Information Sheet;
- e. Certification issued by the president, as to the existence or absence of any other association in the subdivision/village or community; and the name and address of the nearest association, if any;
- f. Code of Ethics signed on every page by the members of the Board of Trustees or Directors and officers of the association;
- g. Notarized undertaking by the association president to change the name of the association in the event that another person, firm or entity within the same barangay, city or municipality has acquired a prior right to the use of the name or one similar thereto, and to comply with pertinent rules and regulations; and
- h. Authorization by the interim president for the representative of the association to transact and/or follow-up its application for registration with the Regional Office.

Section 29. *Additional Requirements.*

- a. For subdivision projects, the applicant association shall submit the following:
 - 1. Certified true copy of the approved subdivision or development plan indicating the area covered by the association.
 - 2. List of members of applicant association with the members' corresponding signatures and addresses, certified by the association secretary and attested to by the association president.
- b. For CMP, LTAP and/or similar programs, the applicant association shall submit the following:
 - 1. Duplicate original copy of the notarized letter of intent to sell/buy, contract to sell, deed of absolute sale, or memorandum of agreement between the landowner and association.

2. Certified true copy of the original or transfer certificate of title of the lot occupied by the members of applicant association or of the lot intended to be purchased, issued not later than sixty (60) days before the date of filing of application.
 3. List of members-beneficiaries with the members' corresponding signatures and addresses, certified by the association secretary and attested to by the association president. For non-ownership tenurial arrangement, the list of members shall state the nature of occupancy.
 4. If the site is located within a subdivision project, certification from the existing association that it interposes no objection to the organization of the association.
 5. Schematic plan of the area covered by the association signed by the association president.
 6. For off-site subdivision or LGU Resettlement Project, in addition to the foregoing, the proposed subdivision plan signed by a Geodetic Engineer in lieu of the schematic plan.
- c. For NHA housing projects/programs, the applicant association shall submit the following:
1. NHA Certification attesting that the association is the only association recognized and/or accredited by the NHA;
 2. List of members-awardees/beneficiaries of the program with the members' corresponding signatures and addresses, certified by the NHA.
- d. For government housing and/or resettlement programs, the applicant association shall submit the following:
1. Certification issued by the Municipal or City Government attesting:
 - a. The name, and principal office address of the association;
 - b. The location or territorial jurisdiction of the association;
 - c. The association is the only association recognized and/or accredited in the community or area and there is no other association existing in the same proposed project, or community;

2. List of beneficiaries with the members' corresponding signatures and addresses, certified by the proper housing or settlement office of the Municipal or City Government; and
3. Schematic plan of the area covered by the association signed by the association president and attested to by the Municipal or City Government concerned administering and/or managing the project.

Section 30. Organization of Associations Initiated by Subdivision Owners/Developers. Where the organization and registration of the association was initiated by the subdivision owner/developer pursuant to Sec. 27 of Presidential Decree No. 957, in addition to the documents stated in Sections 28 and 29 of this Rules, the applicant association shall submit the following documents in triplicate:

- a. Certification under oath attesting that as of the date of the filing of the application for registration, the subdivision lot buyers have neither constructed their homes, nor have on-going constructions or occupied their lots. Otherwise, the applicant association shall certify that fifty percent (50%) of the saleable house and lots have not yet been sold.
- b. Certification under oath that the existing residents have been duly informed and they consent to the project owner and/or developer's organization and registration of the homeowners association.
- c. Names of the buyers and/or existing residents of the project.

Section 31. Turnover of the Management of the Association to the Homeowners by the Subdivision Owner/Developer. In cases where the registration of the association was initiated by the subdivision developer/owner, the latter shall be required to execute and submit an undertaking that management of the association shall be turned over to the homeowners when occupancy of the house and lots have reached twenty five percent (25%) or after two (2) years from the date of registration of the association, whichever comes first, unless the homeowners demand for earlier turnover upon proper showing of capability to manage the association.

Section 32. Procedure for Re-registration of SEC or HIGC/HGC-registered associations. An association that holds a Certificate of Incorporation issued by the SEC or HIGC/HGC shall re-register with the DHSUD. In addition to the documentary requirements under Section 28 pars. d- h of this Rules, the association shall submit the following:

- a. Latest financial statement certified correct by the treasurer and auditor of the association and attested to by the Chairperson of the Board or the President, and externally audited, preferably, by an independent Certified Public Accountant.

- b. For associations that registered with SEC after May 3, 1979, a certification from SEC that the association's registration has not been revoked and that it is cleared of all penalties and other accountabilities to the SEC.
- c. For SEC-registered associations whose registration papers were not transferred to HLURB/DHSUD, the association shall cause the transfer of its records to the DHSUD, together with a certification from the SEC that the association's registration has not been revoked and that it is cleared of all penalties and other accountabilities to the SEC.

Upon receipt of the application and payment of the required filing fees, the Regional Office shall enter in its Registry Book the name of the association and issue the corresponding Certificate of Re-registration.

When so required by the Regional Office, the association shall amend its Articles of Incorporation and/or Bylaws to conform to the requirements of this Rules and submit such other documents.

Section 33. Certificate of Incorporation. Upon finding that the requirements for registration are in order, and that the Articles of Incorporation and Bylaws contain the provisions required by this Rules, the Regional Office shall issue the Certificate of Incorporation to the applicant association. The issuance of the Certificate of Incorporation shall confer upon the association a juridical personality separate and distinct from those of its members.

Prior to the release of the original copy of the Certificate of Incorporation, the interim or incumbent Board of Trustees or Directors and officers shall be required to attend the orientation on Republic Act No. 9904 and its implementing rules and regulations.

If the requirements for the application for registration are incomplete, the same shall be returned to the applicant association. If any of the documents submitted are defective, the Regional Office shall notify the applicant association of the defective submissions.

If the applicant association fails to comply with the requirements stated in the notice of deficiency within sixty (60) days from the receipt thereof, the application for registration shall be denied and all the documents submitted shall be returned to the applicant association.

Section 34. Term of Existence of Associations. Unless otherwise provided in the Articles of Incorporation, associations shall have perpetual existence.

For associations previously registered with the SEC or HIGC/HGC that re-registered with HLURB or DHSUD, their original term of existence as indicated in their Articles of Incorporation or any subsequent amendment thereof shall subsist and continue to run, reckoned from its original registration.

Section 35. Effect of Failure to Re-register. An association that fails to re-register with the DHSUD cannot avail of its support services, and shall have no legal standing to sue before the Human Settlements Adjudication Commission (HSAC). It may nevertheless be sued before the HSAC by its members or other interested parties for non-compliance with existing laws and regulations, and the trustees or directors and/or officers may be held personally liable for the obligations and liabilities incurred by the association.

Section 36. Administrative Determination in the Registration of Associations. In case two (2) or more associations applied for registration and/or are organized within the same subdivision, village or community, and both applied for registration with DHSUD, the following rules shall apply:

- a. The association which submitted first its registration papers and satisfactorily complied with all the requirements shall be registered;
- b. In case there are two (2) associations registered with the SEC or HIGC, or one was registered with the SEC and one with the HLURB/DHSUD, the association which was registered earlier shall be recognized and the registration of the other shall be revoked, *Provided*, that the registration of the earlier registrant still subsists.

Nothing in this Rules shall prevent the DHSUD from taking into consideration other factors in determining which association shall be recognized and registered.

Section 37. Grounds for the Administrative Revocation or Cancellation of Certificate of Incorporation of an Association. The Certificate of Incorporation may be revoked or cancelled *motu proprio* by the DHSUD Regional Office, or upon the filing of a petition before it upon any ground provided by law, rules and regulations, including, but not limited to, any of the following:

- a. Fraud or misrepresentation in procuring its Certificate of Incorporation/Registration;
- b. Serious misrepresentation on the purposes and on what the association can validly do or is doing;
- c. Non-submission of annual reports for five (5) consecutive years after notices and/or orders have been issued by the Regional Office and duly received by the association;
- d. For off-site CMP projects, failure to file its loan application within six (6) months from the date of issuance of the Certificate of Incorporation, or failure to file an application for Development Permit within six (6) months from the grant of loan, or failure to file an application for Certificate of Registration and License to Sell

within six (6) months from the issuance of the Development Permit;
and

- e. For CMP projects, failure to submit an application to the SHFC within five (5) years from the date of registration.

Upon receipt of the verified petition, the Regional Office shall order the association through its trustees or directors to comment on the petition within fifteen (15) days from the receipt of the order. Thereafter, the Regional Office shall resolve the petition. When necessary, the Regional Office may call for a clarification conference either face-to-face or through digital means any time prior to the resolution of the petition.

RULE VI SEGREGATION

Section 38. *Segregation from the Existing Association.* A group of association members residing in contiguous areas within the subdivision/village or community may separate from the existing association and form a new association through a petition stating, among others:

- a. The area of the project, or the membership of the existing association has reached a size or number that renders it extremely difficult or impracticable to provide efficient delivery of services to all its members;
- b. The existing association is serving several or all phases of a subdivision project and the petitioners are residents of one (1) phase or two (2) or more contiguous phases of said project;
- c. The remaining members of the existing association reside in a contiguous area such that the segregation will not affect the territorial integrity of the latter; and
- d. The petitioners do not exceed half of the membership of the existing association.

Section 39. *Requirements for Segregation.* Homeowners intending to segregate from the existing association shall file with the Regional Office a petition for segregation together with the following:

- a. List of homeowners intending to segregate from the existing association;
- b. Minutes of the meeting of all members intending to segregate;
- c. Result of the referendum on segregation showing that majority of all the members of the existing association agreed or consented to the segregation;

- d. The vicinity map of the subdivision/village or community showing the area sought to be segregated; and
- e. Where the facilities of the subdivision project are commonly shared by all the phases of a subdivision project, a written agreement between the existing association and the proposed association defining the obligations and liabilities among them with respect to:
 - 1. The expenses for its maintenance and the earnings derived or losses incurred from the operation thereof;
 - 2. The use, maintenance, repair, replacement, modification and improvements of common areas and facilities;
 - 3. Access to or passage through the subdivision/village gates, main interconnecting and other roads, alleys and sidewalks within the subdivision;
 - 4. Delivery of basic community services; and
 - 5. Such other matters necessary for the proper governance and operation of both associations.

Section 40. Action on the Petition for Segregation. The petition shall be granted by the Regional Office if it finds that the petitioners have satisfactorily complied with the requirements for segregation, the segregation is beneficial to the general welfare and interest of the members, and both the existing association and the new association that may be formed can exist as independent entities.

Upon receipt of the grant of the petition for segregation, the petitioners shall have ninety (90) days within which to submit all the requirements for the registration and incorporation of a new association pursuant to Sections 28 and 29 of this Rules.

If the petition is incomplete, the same shall be returned to the petitioners. If any of the documents submitted are defective, the Regional Office shall notify the petitioners of the defective submissions. The Regional Office may, however, call for a conference for purposes of clarification.

If the petitioners fail to comply with the requirements stated in the notice of deficiency within sixty (60) days from receipt thereof, the petition shall be denied and the documents shall be returned to the petitioners.

If the proposed segregation is contrary to or inconsistent with existing laws, the Regional Office shall deny the petition for segregation.

Rule VII
MERGER AND CONSOLIDATION

Section 41. *Merger or Consolidation of Associations.* Two (2) or more registered associations in contiguous areas may merge into a single association which shall be one of the constituent associations, or may consolidate into a new single association which shall be the consolidated association.

Section 42. *Plan of Merger or Consolidation.* The plan or any similar document embodying the agreement approved by the majority of the members of the Board and by the majority of the members of each of the constituent association shall set forth the following:

- a. The purpose and terms of such merger or consolidation;
- b. The names, addresses, and territorial jurisdiction of the associations proposing to merge or consolidate;
- c. In case of merger, the name and address of the surviving association, the territorial jurisdiction of the merged associations; and, in case of consolidation, proposed name, address and territorial jurisdiction of the consolidated association;
- d. Statement of the changes, if any, in the Articles of Incorporation and Bylaws of the surviving association in case of merger; and
- e. Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or desirable.

Section 43. *Requirements for Registration of the Merged or Consolidated Associations.* Associations intending to merge or consolidate shall file the following documents in triplicate with the Regional Office:

- a. Plan of Merger or Consolidation;
- b. Articles of Merger or Consolidation and Bylaws signed on each and every page thereof by the President of each constituent association;
- c. Notarized Board Resolution and Secretary's Certificate attesting that the majority of the Board, and majority of all members of each association, respectively, agreed to the proposed merger or consolidation;
- d. List of members of the surviving association or of the consolidated association, certified by the association Secretary and attested to by the President of the surviving or of the consolidated association;

- e. Audited financial statements of each of the constituent association as of the immediately preceding year;
- f. Location or vicinity map showing that the territory of the associations proposing to merge or consolidate are contiguous to one another;
- g. For associations organized to avail of the benefits of CMP, LTAP and other similar programs, certification under oath by the President of each of the constituent association stating that the SHFC, NHA, or City or Municipal government concerned were informed of the merger or consolidation, and no opposition was interposed;
- h. Code of Ethics signed on every page by the members of the Board of Directors of the surviving or consolidated association;
- i. General Information Sheet signed by the secretary of the surviving or consolidated association;
- j. Notarized undertaking by the surviving or consolidated association to change the name of the surviving or consolidated association in the event that another person, firm or entity has acquired a prior right to the use of the name or one similar thereto, and to comply with existing laws, rules and regulations;
- k. Authorization for the representative of the surviving or consolidated association to transact and/or follow-up its registration with the Regional Office; and
- l. Proof of payment of the filing fee.

Section 44. Issuance of the Certificate of Incorporation of the Surviving Association or of the Consolidated Association. Upon finding that the requirements for merger or consolidation are in order, and the merger or consolidation of associations is not inconsistent with existing laws, rules and regulations, the Regional Office shall issue the corresponding Certificate of Incorporation to the surviving or consolidated association.

Prior to the release of the original copy of the Certificate of Incorporation of the surviving association or of the consolidated association, the original copy of the Certificates of Incorporation of all the constituent associations shall be surrendered.

If the application for merger or consolidation is incomplete, the same shall be returned to the applicant. If any of the documents submitted are defective, the Regional Office shall notify the applicant associations of the defective submissions. The Regional Office may, however, call for a conference for purposes of clarification.

If the applicant associations fail to comply with the requirements stated in the notice of deficiency within sixty (60) days from receipt thereof, the application for merger or consolidation shall be denied and all documents submitted shall be returned to the applicant associations.

If the proposed merger or consolidation is contrary to or inconsistent with existing laws, the Regional Office shall deny the application for merger or consolidation.

Section 45. *Effects of Merger or Consolidation.* The merger or consolidation shall have the following effects:

- a. The constituent associations shall become a single association which, in case of merger, shall be the surviving association designated in the plan of merger; and in case of consolidation, a new or consolidated association is created.
- b. The separate existence of the constituent associations shall cease, except that of the surviving association or the new consolidated association.
- c. The surviving or the consolidated association shall possess all the rights, privileges, immunities and powers of each of the constituent associations and all property, real or personal, and all receivables due on whatever account, and other choses in action, and all and every other interest of, or belonging to, or due to its constituent associations, shall be deemed transferred to and vested in the surviving or consolidated association without further act or deed.
- d. The surviving or consolidated association shall be responsible and liable for all the liabilities and obligations of each of the constituent associations in the same manner as if such surviving or consolidated association had itself incurred such liabilities or obligations; and any pending claim, action or proceeding brought by or against any of the constituent associations may be prosecuted by or against the surviving or consolidated association. The merger or consolidation shall not impair the rights of creditors or liens upon the property of any constituent association.

Rule VIII FEDERATION

Section 46. *Federation or Alliance of Associations.* Registered associations may form a federation; *Provided* that their alliance with another association or associations is not prohibited in the association's governing documents, deed of restrictions or any contract of conveyance executed by the association members with the subdivision owner/developer.

Federations may be established in accordance with existing guidelines at the following levels:

- a. Barangay federations, which shall be composed of associations within the same barangay;
- b. Municipal federations, which shall be composed of associations within the same municipality;
- c. City federations, which shall be composed of associations within the same city;
- d. Provincial federations, which shall be composed of municipal and city federations except those of independent component cities, highly urbanized cities and Metro Manila cities which shall directly join their respective regional confederations;
- e. Regional confederations, which shall be composed of provincial confederations, and, as above stated, those of independent component cities, highly urbanized cities and Metro Manila cities; and
- f. Only one (1) national confederation which shall be composed of regional confederations.

Section 47. *Affiliating with a Federation.* An association may affiliate with an existing federation; *Provided* that no association shall affiliate with a federation unless the affiliation is duly approved in a resolution by majority of the members of the association's Board of Directors, and the said resolution is ratified by majority of all the members of the association.

Upon acceptance of the association to the federation, the latter shall make the affiliation of record by sending to the Regional Office where the association is registered of a notice of its affiliation to the federation, copy furnished the association, together with an updated list of its affiliates.

Section 48. *Plan of Federation.* The plan or any similar document embodying the agreement approved by the majority of the members of the Board and by the majority of the members of each of the constituent association shall set forth the following:

- a. Names of the associations that will federate;
- b. Terms of the federation;
- c. A statement in the Articles of Incorporation of the federation specifying the commonality of the purpose and interests of the constituent associations, and the rights, obligations, and extent of powers of the federation over the associations; and
- d. Such other provisions with respect to the proposed federation as are deemed necessary or desirable.

Section 49. Requirements for Registration of the Federation. The applicant federation shall submit the following documents in triplicate to the Regional Office:

- a. Approved Plan of Federation;
- b. Articles of Incorporation and Bylaws of the applicant federation signed on each and every page thereof by the President of each constituent/member-association;
- c. Notarized Board Resolution and notarized Secretary's Certificate attesting that the majority of the members of the Board and the majority of all members of each association agreed to affiliate;
- d. List of constituent associations;
- e. Notarized General Information Sheet signed by the applicant federation secretary;
- f. In cases of associations organized to avail of the benefits of CMP, LTAP and other similar programs, a certification under oath by the President of each of the constituent association stating that the SHFC, NHA, or City or Municipal government concerned were informed of the federation, and no opposition was interposed;
- g. Notarized undertaking by the federation to change the name of the federation in the event that another person, firm or entity has acquired a prior right to the use of the name or one similar thereto, and to comply with existing rules and regulations;
- h. Authorization for the representative of the applicant-federation to transact and/or follow-up its registration with DHSUD; and
- i. Proof of payment of the filing fee.

Section 50. Issuance of Certificate of Incorporation of the Federation. Upon finding that the requirements for federation are in order, and if the alliance or federation of associations is not inconsistent with existing laws, the Regional Office shall issue the corresponding Certificate of Incorporation to the federation.

The federation shall have a separate and distinct legal personality from that of its constituent associations and shall have such powers over its constituent associations as may be set forth in its approved Articles of Incorporation and Bylaws. The creation of a federation shall not affect the juridical personality of the constituent associations.

If the application for registration of the federation is incomplete, the same shall be returned to the applicant federation. If any of the documents submitted are defective, the Regional Office shall notify the applicant federation of the defective submissions.

If the applicant federation fails to comply with the requirements stated in the notice of deficiency within sixty (60) days from receipt thereof, the application for federation shall be denied and the documents shall be returned to the applicant federation.

If the proposed federation is contrary to or inconsistent with existing laws, rules and regulations, the Regional Office shall deny the application for federation of associations.

Section 51. *Disaffiliation from a Federation.* A constituent association of the federation, by a resolution passed by the majority of its Board, and duly approved by majority of all its members, may sever its membership from the federation which shall take effect after a written notice of disaffiliation is filed with the federation and with the Regional Office.

Section 52. *Memorandum of Disaffiliation.* Upon receipt of the notice of disaffiliation by a constituent association, the Regional Office shall enter a memorandum thereof in the records of the federation and the disaffiliating association, a copy of which shall be furnished the concerned parties.

Section 53. *Effects of Disaffiliation.* Upon disaffiliation, the federation loses its powers and privileges as set forth in its Articles of Incorporation and Bylaws over the disaffiliating association, while the latter loses its entitlement to the rights and privileges arising from membership in the federation. The disaffiliation shall be without prejudice to the settlement of any obligation incurred by the federation and constituent associations against each other.

Section 54. *Confederations or umbrella organizations of associations.* The procedure for the organization of and disaffiliation from confederations and other umbrella organizations of associations shall be the same as that provided in the preceding Sections except that the constituent associations in confederations are federations, while those in umbrella organizations are confederations.

Rule IX

DISSOLUTION OF AN ASSOCIATION, FEDERATION, CONFEDERATION, OR UMBRELLA ORGANIZATIONS OF ASSOCIATIONS

Section 55. *Methods of Dissolution.* An association, federation, confederation or umbrella organizations of associations (hereinafter referred to as associations) may be dissolved voluntarily or involuntarily.

Section 56. *Voluntary Dissolution Where No Creditors are Affected.* If the dissolution of an association does not prejudice the rights of any creditor having a claim against it, the dissolution shall be effected as follows:

- a. Issuance of a Board Resolution authorizing the dissolution of the association:
 1. Notice sent to all members of the Board, in accordance with the notice requirements of the Bylaws, setting a date for a meeting for the purpose of the dissolution of the association.
 2. In the meeting called for the purpose, a majority of all the members of the Board shall be necessary for the approval of the Board Resolution dissolving the association.
 3. The Board Resolution shall likewise state the date of the General Assembly which shall consider the dissolution of the association.
- b. A majority vote of all association members regardless of standing shall be required to dissolve the association. The notice of meeting shall be:
 1. Personally served or sent by any available means to all association members at least thirty (30) days before the scheduled meeting;
 2. Published once a week for two (2) consecutive weeks in a newspaper of local circulation where the principal office address of the association is located, or, if there is none, in a newspaper of general circulation once a week for two (2) consecutive weeks; and
 3. Posted at the office of the association, bulletin boards and in other strategic and conspicuous places within its territorial boundaries.
- c. The Regional Office shall be furnished:
 1. A copy of the notarized Board Resolution approving the dissolution of the association signed by at least majority of the members of the Board and, the notarized Secretary's Certificate attesting to the consent of the majority of the general membership, and certified as correct by the President of the association;
 2. Notarized certification that the association has no existing creditors; and
 3. Proof of the publication and posting of the Notice of Meeting.
- d. The Regional Office shall issue the certificate of dissolution upon determination that the application is not contrary to law and has complied with all the foregoing requirements.

Section 57. Voluntary Dissolution Where Creditors are Affected. Where the dissolution of an association may prejudice the rights of any creditor, the following procedure shall be followed:

- a. The association shall conduct the meetings and comply with all the solemnities required for the notice as stated in the first two (2) subsections of the immediately preceding section.
- b. Upon completion of the foregoing, a petition for dissolution shall be filed with the Regional Office. The petition shall comply with the following requirements:
 1. The petition shall be signed by the majority of the Board of Trustees or Directors;
 2. The petition shall be verified by its president or secretary or one of its trustees or directors, and shall set forth all claims and demands against it, and that its dissolution was resolved upon by the affirmative majority vote of its members at a meeting called for that purpose; and
 3. Board resolution approving the dissolution of the association signed by at least majority of the Board and, the notarized Secretary's Certificate attesting the consent of the majority of the general membership, and certified as correct by the President of the association.
- c. If the petition is sufficient in form and substance, the Regional Office shall, by an order reciting the purpose of the petition, fix a date within which objections thereto may be filed by any person, which shall not be less than thirty (30) days nor more than sixty (60) days after the entry of the order. Before such date, a copy of the order shall be published at least once a week for three (3) consecutive weeks in a newspaper of local circulation in the municipality or city where the principal office of the association is situated, or if there is none, in a newspaper of general circulation. A copy of the order shall likewise be posted for three (3) consecutive weeks in three (3) public places in such municipality or city and in the bulletin board of the association.
- d. Upon five (5)-day notice given after the date on which the right to file objections as fixed in the order has expired, the Regional Office shall proceed to hear the petition and resolve any issue raised in the objections filed. If the material allegations of the petition are true and no objection was interposed, the Regional Office shall render a resolution dissolving the association and ordering such disposition of its assets as justice requires, and may appoint a management committee to collect such assets and pay the debts of the association.

Section 58. Dissolution by Shortening Corporate Term. An association may be dissolved by amending the Articles of Incorporation to shorten the term of existence of the association. A copy of the amended Articles of Incorporation shall be submitted to the Regional Office in accordance with this Rules.

Upon approval by the Regional Office of the amended Articles of Incorporation, or upon expiration of the shortened term, as the case may be, and upon such terms as may protect the rights of creditors whose claims against the association may be affected by shortening of its term, the association shall be deemed dissolved without any further proceedings.

No application for amendment of the Articles of Incorporation to shorten its term of existence shall be granted unless the association sought to be dissolved has paid administrative fines previously imposed against it, and the incumbent members of the Board execute a declaration under oath that, to the best of their knowledge, the association has no existing financial liabilities, and that they are willing to shoulder such liabilities in the event any valid claim is made by third persons subsequent to the dissolution.

Section 59. *Involuntary Dissolution.* The association may be dissolved upon the filing of a verified complaint or petition before the HSAC Regional Adjudication Branch where the principal office of the association, federation or confederation is located.

Section 60. *Automatic Dissolution.* Associations whose term of existence as provided in its Articles of Incorporation has expired shall be deemed dissolved without need of any proceedings.

In cases of associations organized to avail of the benefits of the CMP, LTAP and other similar housing programs, they shall be deemed dissolved if they failed to submit an application to the SHFC within five (5) years from the date of its registration.

In all cases, the association shall be notified of its dissolution.

Section 61. *Winding-up Period.* Once dissolved, the association shall continue to exist for three (3) years after the time it would have been so dissolved, for the purposes of settling and winding-up of its affairs, prosecuting and defending suits by or against it, collecting what is due the association, pay its debts, and to dispose of and convey its property. However, it can no longer conduct business for which it was established.

Rule X POST-REGISTRATION

Section 62. *Requirements after Registration.* Within ninety (90) days from the release of the Certificate of Incorporation, the association, federation and/or confederation shall submit the following to the Regional Office:

- a. BIR Certificate of Registration
- b. Tax Identification Number

Section 63. Books Required for Stamping. In addition to the preceding requirements and within the same period, the association shall submit the membership book, cash receipt/disbursement book, and ledger for stamping.

Section 64. Association Books to be kept. Every association shall keep and carefully preserve a membership book, cash receipt/disbursement book, ledgers, record of all transactions and minutes of all general membership meetings and of the Board of Trustees or Directors, setting forth in detail the date, time and agenda for holding the meeting, the notice given, those present and absent, and the significant acts done or ordered done in the meeting.

Section 65. Annual Reports. Within ninety (90) days from the close of the calendar or fiscal period, the association shall submit to the Regional Office the following documents concerning its operations during the preceding accounting period:

- a. Notarized General Information Sheet detailing the names of the members of the Board of Trustees or Directors, including the executive and other accountable association officers;
- b. Latest financial statement certified correct by the treasurer and auditor of the association and attested to by the chairperson of the Board or the president, and/or externally audited, preferably, by an independent Certified Public Accountant, attaching therein the summation of expenses of the association;
- c. Updated master list of members certified by the association secretary and attested to by the president. In case of associations under government-assisted housing programs or projects, the master list of qualified beneficiaries shall be duly certified by the government agency or instrumentality concerned;
- d. Copy of board resolutions issued for the year pertaining to policies, rules and regulations especially those imposing penalties, suspension, expulsion, delisting or substitution of members, and reinstatement of membership of delinquent members or members not in good standing;
- e. Minutes of the General Assembly prepared by the association secretary and attested to by the association president with attendance sheet signed by the members attested to by the secretary of the association.
- f. For housing projects or programs under the CMP, LTAP and other similar housing and/or relocation programs, certification from the concerned government or private entity on the status of the association's application to avail of the program.

Section 66. Financial and Other Records. The association is enjoined to observe the following with regard to its funds, financial and other records:

- a. The association or its managing agent shall keep financial and other records sufficiently detailed to enable the association to fully declare to each member the true statement of its financial status. All financial and other records of the association including, but not limited to, checks, bank records and invoices, in whatever form these are kept, are the property of the association. Each association's managing agent shall turn over all original books and records to the association immediately upon termination of the management relationship with the association, or upon such other demand as is made by the Board. An association's managing agent is entitled to keep association records. All records which the managing agent has turned over to the association shall be made reasonably available for the examination and copying by the managing agent;
- b. All records involving the affairs of the association shall be available for examination by all owners, holders of mortgages on the lots, and their respective authorized agents upon reasonable advance notice, during normal working hours at the office of the association: *Provided*, that holders of mortgages on lots may have access to the information about the property held in mortgage with the consent of the registered owner;
- c. A financial statement of the association shall be prepared annually by the treasurer, attested to by the chairperson of the Board or the president, and audited by the auditor and/or an independent certified public accountant within ninety (90) days from the end of the accounting period to be posted in the association office, bulletin boards, and other conspicuous places within the subdivision/village or community, and to be submitted to the Regional Office, which shall include in sufficient details, the total amounts collected, expenses and funds/cash on hand; and
- d. The funds of the association shall be kept and deposited in bank accounts in the name of the association and shall not be joined or commingled with the fund of any other association, trustee or director, officer or any other person responsible for the custody of such funds.

Rule XI
HOMEOWNERS ASSOCIATION

Section 67. *Rights and Powers of the Association.* An association duly registered in accordance with this Rules shall have the following rights and powers:

- a. Subject to consultation and with the approval of a simple majority of the members regardless of standing, adopt and amend the Articles of Incorporation, Bylaws, and rules and regulations, pursuant to existing laws and regulations;
- b. In behalf of its members, institute, defend, or intervene in litigation and/or administrative proceedings affecting the welfare of the association and the subdivision/village or community as a whole, excluding, however, disputes that are not the responsibility of the association;
- c. Without prejudice to the responsibility of the subdivision owners/developers to maintain the road lots, open spaces and other facilities under Presidential Decree No. 1216 and its implementing rules and regulations, regulate the use, maintenance, repair, replacement and modification of common areas and cause additional improvements to be made part of the common areas: *Provided*, that the aforementioned do not contradict the provisions of the approved subdivision plan;
- d. Regulate access to, or passage through the subdivision/village roads for purposes of preserving privacy, tranquility, internal security, safety and traffic order: *Provided*, that: (1) public consultations are held; (2) existing laws and regulations are met; (3) the authority of the concerned government agencies or units are obtained where the roads have been donated to the local government unit; and, (4) where appropriate and necessary, memoranda of agreement are executed among the concerned parties;
- e. Hire, discharge or contract managing agents and other employees, agents and independent contractors to ensure the full functioning and operation of the association;
- f. Subject to consultation with and the approval of the majority of the members of the association, acquire, hold, encumber and convey in its own name any right, title to or interest in real or personal property: *Provided*, that such approval of the majority of the members of the association shall not be required for the acquisition, holding, encumbrance and conveyance of personal properties in amounts not exceeding ten percent (10%) of the association's cash holdings for its use in the course of its normal operations;
- g. Where the association's water services are operated and maintained by the subdivision owner/developer or a third-party provider, ensure the availability of quality water services at a reasonable price and, at its option, after consultation with the general membership, and subject to compliance

- with existing laws, administer and manage the waterworks system of the subdivision;
- h. Upon consultation, grant easements, leases, concessions and authority to use common areas and petition for or consent to the vacation of streets and alleys: *Provided*, that the said grant of easements, leases, concessions and authority shall not be applicable to access roads, main interconnecting roads, alleys and sidewalks within the subdivision/village;
 - i. Impose or collect reasonable fees for the use of open spaces, facilities, and services of the association to defray necessary operational expenses, subject to the limitations and conditions imposed under the law, regulations and the association's bylaws;
 - j. Cause compliance with regard to height regulations, easements, use of homes, buildings, edifices, or structures that may be built within the subdivision, in accordance with the National Building Code, zoning laws, HLURB/DHSUD rules and regulations, existing local ordinances, and existing deeds of restriction;
 - k. Subject to consultation and with the approval of a simple majority of the members of the association, allow the establishment of certain institutions such as, but not limited to, schools, hospitals, markets, grocery stores and other similar establishments that will necessarily affect the character of the subdivision/village in terms of traffic generation, and/or opening the area to outsiders which may result in the loss of privacy, security, safety, and tranquility to its residents, in accordance with the National Building Code, zoning laws, existing local ordinances, HLURB/DHSUD rules and regulations, and existing jurisprudence: *Provided*, that such prior approval shall not be necessary for the establishment of sari-sari stores, home industries and similar small-scale business enterprises within the subdivision/village classified as socialized housing;
 - l. Suspend privileges of and services to and/or impose sanctions against its members for violations and/or noncompliance with the association's bylaws, policies, rules and regulations;
 - m. Petition for the creation of a separate barangay, independently or together with neighboring subdivisions: *Provided*, that all the requirements of the Local Government Code of 1991 are met; and,
 - n. Exercise any other powers conferred by the bylaws and the DHSUD necessary for the governance and operation of the association.

Section 68. Composition of the Board. The Board of Trustees or Directors shall be composed of at least five (5) but not more than fifteen (15) elected members of the association. In no case shall lessees constitute a majority of the Board.

Section 69. Compensation. The members of the Board shall serve without compensation. No officer of the association holding a rank of trustee or director shall likewise be entitled to any compensation. However, reasonable expenses incurred by the Board, trustees or directors and/or officers directly in connection with and necessary for the conduct of official activities may be reimbursed upon presentation of receipts and/or other documentary evidence in support of such claims. The prohibition against receiving compensation does not apply to other officers and employees of the association who are not members of the Board.

Section 70. Association Officers. Unless otherwise provided in the Bylaws, an association shall have the following executive officers who shall be responsible for the management of the association's business: president, vice-president, secretary, treasurer, and auditor who must all be Filipino citizens. No one shall act as president and secretary, or as president and treasurer at the same time. Long-term lessees and/or tenants are not qualified to be elected or appointed as president, vice-president, secretary and treasurer of the association.

Unless the association officers are directly elected by the members, the officers shall be elected by the Board from among themselves during the organizational meeting or the first meeting of the Board immediately after the election. The term of office of the officers shall coincide or correspond to the term of office of the trustees or directors.

Section 71. Fidelity bond. Unless otherwise provided in the Bylaws, the elected president and treasurer of the association shall post a fidelity bond in an amount equivalent to the association's cash assets at the time of assumption to office, to answer for the misuse of association funds. The premium of such bond may be sourced from the operating expenses of the association.

Section 72. Qualifications of Trustees or Directors, and Officers. A trustee or director and/or officer of an association -

- a. Must be a Filipino citizen;
- b. Must be of legal age;
- c. Must be a member in good standing as of three (3) months prior to the date of the election;
- d. Must be an actual resident of the subdivision/village, housing or relocation project as certified by the association secretary, or in default thereof, by a member of good standing having personal knowledge of his/her residency;
- e. Has not been convicted by final judgment of an offense involving moral turpitude; and

- f. For CMP, NHA, LGU and other national government housing projects or programs with similar tenurial agreements, must be identified and recognized awardee thereof, must have updated monthly amortizations, and compliant with the pertinent occupancy rules and regulations.

The legitimate spouse of a qualified member, when qualified in his/her own right and not disqualified by his/her own account, may be a candidate in lieu of the member.

The trustees or directors and/or officers, during their term, shall continuously possess all the qualifications and none of the disqualifications enumerated in the immediately following section; otherwise the Board, by majority vote of all its members, is authorized to remove them from office on said grounds.

Section 73. Disqualifications of Trustees or Directors, and Officers. A trustee or director and/or officer of an association shall not have any of the following disqualifications:

- a. Those found guilty of having committed fraud, falsification, defalcation, or any other act inimical to the interests of the association;
- b. Former officers and/or trustees or directors who, despite demands by the previous or incumbent Board or officers, have not turned over the books, funds, records and properties of the association established to be in their custody during their term;
- c. Former members or the incumbent Board who unjustifiably refused to call an election;
- d. Those who unreasonably failed and/or refused to comply with the orders of HLURB, DHSUD and/or HSAC;
- e. Members who are trustees or directors and/or officers of another registered homeowners association;
- f. Those who have been declared or found by HSAC in an adversarial case filed before it, to have instigated, incited or initiated the conduct of an unauthorized election in accordance with Section 90 hereof, and those who have actively participated therein, either as members of the election committee or as candidates; and
- g. Those imposed with penalty of disqualification in any case filed before the HLURB and/or HSAC.

The Bylaws may provide for reasonable disqualifications of candidates for trustee or director and/or officer to protect the association and its members from

interests inimical or inconsistent with its purpose, or practices detrimental to the welfare thereof, in addition to those enumerated above.

Section 74. Term and Commencement Office. The Board shall hold office for a term not exceeding two (2) years commencing on the date fixed in the association's Bylaws. Upon their election and proclamation, the Board shall immediately hold a meeting for the purpose of electing among themselves the chairperson and vice chairperson of the Board and, unless otherwise provided by the bylaws, the president and vice president, secretary, treasurer, auditor and other officers as may be provided in the Bylaws.

When the election is held later than the date fixed in the bylaws, the trustees or directors and/or officers elected shall serve only the remaining fixed term.

When the remaining term of office for the newly elected trustees or directors is less than fifty percent (50%) of the term of office as provided in their bylaws, reckoned from the date indicated therein, they shall be allowed to serve the unexpired portion of the current term plus the full incoming term, subject to strict compliance with the requirements for postponement or non-holding of election as provided in Section 93 hereof.

When the remaining term of office for the newly elected trustees or directors is more than fifty percent (50%) of the term of office as provided in their bylaws, reckoned from the date indicated therein, they shall serve only the unexpired portion of the current term and call for an election for the incoming term.

Where the subdivision owners/developers initiated the organization and registration of the association, the interim trustees or directors and/or officers shall hold office until the first regular election among homeowners shall have been held. Such election shall be called and conducted not later than two (2) years from the date of registration of the association.

Section 75. Removal of a Trustee or Director. A trustee or director may be removed from office through a petition duly signed by the majority of the members in good standing of an association for any cause or causes provided in this Rules or Bylaws of the association, subject to verification and validation of the Regional Office.

The following procedure shall be observed in case of removal of a trustee or director of an association:

- a. The petition shall be submitted to the Regional Office for purposes of verification and validation. Within ten (10) days from the receipt of the petition, the Homeowners Association and Community Development Division (HOACDD) of the Regional Office shall determine whether the petition is signed by the majority of the members in good standing of the association based on the records on file with the Regional Office, and if the removal is

based on any of the grounds or causes for removal provided under the Bylaws or this Rules.

- b. If the HOACDD determines that the petition is not signed by the required number of the members in good standing of the association, it shall recommend to the Regional Director the denial of the petition and shall inform the member or members who filed the petition of its decision, furnishing a copy thereof to the trustee or director subject of the petition and the Board.
- c. If, on the other hand, the petition is signed by the required number of the members in good standing of the association, the HOACDD shall immediately proceed with the validation and verification of the petition. The HOACDD shall compare the signatures appearing in the petition with the records on file with the Regional Office.

In cases where there are no specimen signatures of members on file with the Regional Office, the HOACDD shall proceed to the subdivision or community to personally verify from the members their signatures affixed in the petition, either by conducting a house-to-house visit, calling for an assembly of petitioners on-site, or other viable means.

- d. The HOACDD shall report its findings to the Regional Director, and recommend the grant or denial of the petition. The Regional Director shall then issue an order granting or denying the petition, furnishing a copy thereof to the petitioners, trustee or director subject of the petition and the Board.
- e. Within sixty (60) days from the receipt of the order approving the removal, a special election shall be called by the remainder of the Board to replace the removed trustee or director, if necessary for the effective management and operation of the association. The elected replacement shall hold office only for the unexpired term of the removed trustee or director.
- f. The trustee or director who has been removed shall have the right to question the validity of the cause or causes relied upon by the petitioners by filing a verified Appeal Memorandum, in triplicate, before the Regional Office within fifteen (15) days from the receipt of the order of his/her removal.
- g. The pendency of the appeal filed by the trustee or director shall not prevent the Board from conducting the special election called for the purpose of filling the resulting vacancy.
- h. In the event the DHSUD Secretary finds that the removal is invalid, the removed trustee or director shall then be reinstated to his/her former position and serve the remainder of his/her term. The tenure of the person

who replaced the removed trustee or director from the time of his/her election up to the time of the reinstatement shall be respected.

Section 76. Dissolution of the Board of Directors. The Board may be dissolved through a petition signed by two-thirds (2/3) of the association members regardless of standing for any cause or causes provided in this Rules or Bylaws of the association, subject to verification and validation of the Regional Office.

The following procedure shall be observed in case of dissolution of the Board:

- a. The procedure provided in subsections (a) to (d) of the immediately preceding Section shall be observed.
- b. Within sixty (60) days from the receipt of the order approving the dissolution of the Board, a special election shall be called and conducted by the Regional Office for the purpose of electing trustees or directors who shall hold office for the unexpired term of the dissolved Board.
- c. The pendency of the appeal filed by the Board shall not prevent the HOACDD from conducting the special election.
- d. Until the new Board members shall have been elected and qualified, the DHSUD Regional Office shall designate an interim board: *Provided*, that such interim Board shall be composed of association members in good standing; *Provided, further*, that such interim Board members shall not be eligible to run in the election called for the purpose of replacing the members of the dissolved Board.

This procedure shall also be adopted if a majority of the members of the Board are removed, which shall be considered as a dissolution of the entire Board.

Section 77. Grounds for Removal of a Trustee or Director or Dissolution of the Board of Directors. A director may be removed, or the Board may be dissolved on grounds, such as but not limited to, the following:

- a. Breach of trust;
- b. Conflict of interests;
- c. Mismanagement, fraud or abuse of authority;
- d. Tolerated the commission of fraudulent activities and other illegal acts committed by a trustee or director and/or homeowners;
- e. Gross negligence in managing the affairs of the association; or
- f. Failed to perform their fiduciary duties and/or responsibilities.

Section 78. Vacancy in the Office of the Trustee or Director. Except when the vacancy is due to the removal by petition of the majority of the members in good standing of the association under Section 75 of this Rules, any vacancy occurring in the Board of Trustees or Directors due to resignation, death,

withdrawal, or any other cause or causes shall be filled in accordance with the procedure under the association's bylaws. In lieu of such procedure, the vacancy shall be filled by a majority vote of the members in good standing in a special election called for the purpose by the Board if still constituting a quorum. The trustee or director so elected shall serve only the unexpired term of office of his/her predecessor in office.

Section 79. Duties and Responsibilities of the Board. In addition to the duties and responsibilities stated in the Bylaws of the association, the Board which has primary authority to manage the affairs of the association shall have the following duties and responsibilities:

- a. Regularly maintain an accounting system using generally accepted accounting principles, and keep books of accounts which shall be open for inspection to any homeowner and duly authorized representatives of government agencies upon request, during reasonable hours on business days;
- b. Collect reasonable fees, dues and assessments that may be provided for in the Bylaws and approved by the majority of the members of the association;
- c. Collect reasonable charges for assessments, and after due notice and hearing by the Board in accordance with the procedures as provided in the Bylaws and rules and regulations adopted by the Board, charge reasonable fines for late payments and for violation of the bylaws, rules, and regulations of the association, in accordance with a previously established schedule adopted by the Board and furnished to the homeowners;
- d. Propose measures to raise funds and the utilization of such funds and submit the same for consideration of the members of the association;
- e. Undergo a free orientation by the DHSUD or any other competent agency deputized by it on how to conduct meetings, preparation of minutes, handling of accounts, laws and pertinent rules and regulations within thirty (30) days after election and/or appointment;
- f. Discharge the duties and responsibilities provided for in the association's bylaws;
- g. The Board shall act in all instances on behalf of the association, except to amend the Articles of Incorporation and Bylaws, to dissolve the association, to elect members of the Board or to determine the qualifications, powers and duties, and/or terms of office of the Board, and other instances that require the vote or approval of the members themselves;
- h. To have a working knowledge of the statutory and regulatory requirements affecting the association;

- i. Adopt a system of internal checks and balances to safeguard the integrity of the operations of the association; and
- j. Exercise such other powers as may be necessary and proper for the accomplishment of the purposes for which the association was organized.

In the performance of their duties, the members of the Board and officers shall exercise the degree of care and loyalty required by such position.

Section 80. Relationship with Local Government Units. The associations shall complement, support and strengthen LGUs in providing vital services to their members and help implement local government policies, programs, ordinances, and rules.

- a. Associations shall recognize and assist in the implementation of local ordinances, including zoning ordinances, passed by the local government unit;
- b. Associations are encouraged to actively cooperate with LGUs in furtherance of their common goals and activities for the benefit of the residents of the subdivisions/villages, community and their environs;
- c. Where the LGUs lack resources to provide for basic services, the associations shall endeavor to tap the means to provide for the same. In recognition of the associations' efforts to assist the LGUs in providing such basic services, association dues and income derived from rentals of their facilities shall be tax-exempt: *Provided*, that such income and dues shall be used for the cleanliness, safety, security and other basic services needed by the members, including the maintenance of the facilities of their respective subdivisions/villages;
- d. LGUs shall, upon due notice, hold public consultations with the members of the affected associations, especially their officers and trustees or directors, where proposed rules, zoning and other ordinances, projects and/or programs affecting their jurisdiction and surrounding vicinity are to be implemented prior to the effectivity or implementation of such rules, zoning, ordinances, projects or programs: *Provided*, that in cases of zonal reclassification within the subdivision/village, the approval of a simple majority of homeowners shall be required. Such public consultations shall conform to the manner as specified in Rule XI, Article 54 of the Implementing Rules and Regulations of Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

Section 81. Relationship with National Government Agencies. The associations shall complement, support and strengthen the efforts of the NGAs in

providing vital services to their members and help implement the national government policies and programs.

- a. Associations are encouraged to actively cooperate with NGAs in the furtherance of their common goals and activities for the benefit of the residents of the subdivisions/villages and its environs; and,
- b. NGAs shall consult the associations where proposed rules, projects and/or programs may affect their welfare.

Rule XII MEETINGS

Section 82. Board Meetings. The Board shall hold regular meetings in accordance with the schedule set forth in the Bylaws. Special meetings may be held at any time upon the call of the chairperson of the Board, the president, or by the majority of the Board with notice to the chairperson or president. The chairperson or, in his/her absence, the president, shall preside at all meetings of the Board.

Board meetings may be held in person or through remote or electronic means, or a combination of both.

Section 83. Personal Attendance. A trustee or director shall attend Board meetings in person or through remote or electronic means of communication.

Trustees or directors who cannot physically attend or vote at Board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate. Trustees or directors cannot attend or vote by proxy at board meetings.

Section 84. Quorum in Board Meetings. Unless the Articles of Incorporation or the Bylaws provides a greater majority, a majority of the number of trustees or directors as fixed in the association's Articles of Incorporation shall constitute a quorum to transact business.

Every decision of at least majority of the trustees or directors present at a meeting at which there is a quorum shall be valid as a corporate act, except those that require the vote of the majority of all the members of the Board.

Section 85. General Assembly Meetings. Meetings of members shall be presided by the president, or in his/her absence, the vice president. Meetings of members may be regular or special.

Regular meetings shall be held at least annually on the date fixed in the bylaws.

Special meetings shall be held at any time deemed by the Board, the president or Board chairperson as necessary, or as provided in the Bylaws, or upon petition to the Board by thirty percent (30%) of the members in good standing.

Regular and/or special meetings may be held in person or through remote or electronic means, or a combination of both.

Notice of assembly meetings shall be sent to the members, personally or through any available means, at least two (2) weeks prior to the date of the meeting unless a different period is required by the Bylaws, and shall be posted at three (3) conspicuous places in the subdivision or community.

Section 86. *Quorum in Regular or Special Meetings of Members.* Unless the Articles of Incorporation or the Bylaws provides a greater majority, a majority of the members in good standing shall constitute a quorum to transact business. Every decision of at least a majority of the members present at a meeting at which there is a quorum shall be valid as a corporate act, except those that require the vote of the majority of all the members of the association.

Section 87. *Proxies in Meetings.* Association members may vote in person or by proxy in all meetings of members. Proxies shall be in writing, signed by the member and filed with the association secretary, in accordance with the schedule provided in the Bylaws or, in the absence of such provision in the Bylaws, as set by the association secretary. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than three (3) years at any one time unless earlier revoked by the member.

RULE XIII ELECTIONS

Section 88. *Holding of Elections.* An association shall hold regular elections on the date or schedule set forth in its Bylaws. The first election under the Bylaws shall be called by the Interim Board within six (6) months from the approval of the bylaws, and the elected trustees or directors shall only serve until the regular election as provided in the bylaws.

Section 89. *Calling of an Election.* Only the incumbent Board and/or through the president or vice president based on the records on file with the Regional Office are authorized to call the election in accordance with association's Bylaws.

If the Board fails to call an election within thirty (30) days from the date fixed in the bylaws, the following procedure applies:

- a. Any member in good standing, in writing, may petition the incumbent Board to call an election, copy furnished the Regional Office where the association is registered.
- b. When the incumbent Board fails to take action thereon, or sits on the request to call an election within one (1) month from the receipt of the petition or letter, the member in good standing shall report the same to the Regional Office.
- c. The Regional Office shall take action on the report by directing the incumbent Board, under pain of sanction for non-compliance, to call an election and constitute an Election Committee that shall conduct the election within a specified period.
- d. Failure of the incumbent Board to call an election and/or constitute an Election Committee as above directed shall cause the Regional Office to create an Election Committee from among the association members who do not intend to run for any position. The members of the incumbent Board who refused to call an election shall be disqualified from running for any position.
- e. The election authorized and recognized by the Regional Office shall be deemed the official conduct of election of the association.

Section 90. Unauthorized Election. An unauthorized election is either conducted or called by any member or group of members regardless of standing in an association other than by the incumbent Board of Directors, President and/or the Vice President on record with the DHSUD. The results of unauthorized elections shall not be recognized by DHSUD and shall be deemed null and void in accordance with the guidelines issued, or as may be promulgated by the DHSUD.

All actions taken by the members who acted as trustees or directors and/or officers arising from the illegal election shall be *void ab initio* and shall be a ground for disqualification for succeeding elections without prejudice to any further administrative and criminal liability of the said members.

Section 91. Quorum in Elections. At all elections, there must be present or votes cast by majority of the association members in good standing, either in person or by proxy.

Section 92. Proxies in Elections. Association members in good standing may vote in person or by proxy in all elections of trustees or directors. Proxies shall be in writing, signed by the member and submitted to the Election Committee in accordance with the schedule provided in the Bylaws or, in the absence of such provision in the Bylaws, as set by the Election Committee. Unless otherwise provided in the proxy, it shall be valid only for the election for which it is intended.

No proxy shall be valid and effective for a period longer than three (3) years at any one time unless earlier revoked by the member.

Section 93. Postponement or Failure of Election. When a regular or special election cannot be held or conducted due to lack of candidates, or the number of qualified candidates did not reach a number as to constitute majority of the entire Board, or for any other serious cause such as violence, terrorism, force majeure, and other analogous causes of such a nature that the holding of a free, orderly and honest election should become impossible, the Election Committee shall postpone the election and call another election within a period of thirty (30) days from the initial date of the election or the cessation of the cause for such postponement of election.

In the event of lack of quorum or for any other serious cause such as violence, terrorism, force majeure, and other analogous causes of such a nature that the holding of a free, orderly and honest election should become impossible, the Election Committee shall declare a failure of election, and shall call for another election within a period of thirty (30) days from the date of the failed election or the cessation of the cause for such failure of election.

In case a regular or special election was not held on the date fixed in the bylaws, was postponed, or declared a failure, and the second call for the conduct of an election by the Election Committee was still a failure, the following shall be submitted by the Election Committee to the Regional Office:

- a. Notice of postponement of the regular or special election; and
- b. Affidavit of non-holding of election stating categorically the reasons why no election was conducted. The affidavit shall be executed by the members of the Election Committee and shall be filed with the Regional Office within five (5) days from the date of the scheduled election.

If the reasons stated in the affidavit or the reasons of the association are found unmeritorious, the Regional Office shall order the Election Committee to immediately call for the conduct of the election within fifteen (15) days from receipt of the Order. The unjustified failure of the Election Committee to comply with the order of the Regional Office may, after due notice and hearing, warrant the imposition of sanctions against the members of the Election Committee.

If the Election Committee fails or refuses to comply with the order of the Regional Office to conduct an election, the Regional Office shall designate an Election Committee from among the members in good standing who do not intend to run in any position. The Election Committee so designated shall conduct the election under the supervision of the Regional Office.

Section 94. Hold-Over. Where there is a justified failure to elect a new set of trustees or directors and/or officers and the causes for such failure persist after a second election is called, the incumbent directors or trustees and/or officers

shall be allowed to continue in a hold-over capacity until their successors are elected and qualified for the next term.

Section 95. *Conduct of Election by the Regional Office.* The Regional Office shall conduct the election for the members of the Board upon dissolution of the Board under Section 76 of this Rules, or upon the directive or order of the HSAC, the Court of Appeals or the Supreme Court, or whenever upon the determination of the Regional Office, the circumstances so warrant.

Section 96. *Election Contests or Protests.* Election contests or protests shall be in writing and must be filed before the Election Committee within five (5) days after the proclamation of the winning candidates, specifically stating the grounds thereof, except in issues of qualification or disqualification of candidates and/or voters, in which case it may be filed within three (3) days from the discovery thereof.

The Election Committee shall decide on the controversy brought before it within the non-extendible period of five (5) days from the receipt of the protest.

If the complainant or protestant is dissatisfied with the decision of the Election Committee, he/she may file an election protest or complaint before the proper Regional Adjudication Branch of the HSAC pursuant to its Rules of Procedure.

Section 97. *Turnover of Association Books, Records, Funds, and Properties by Outgoing Trustees or Directors and/or Officers.* To ensure the orderly turnover of the management of the association, the outgoing trustees or directors and/or officers of the association shall turn over all association books, records, funds, properties and other assets to the new set of trustees or directors and/or officers within fifteen (15) days, without the need for demand, from the assumption of office of the new Board or officers, notwithstanding the pendency of an election contest before the HSAC, unless a cease and desist order has been issued enjoining their assumption and/or performance of duties as such.

In the event the outgoing Board unjustifiably refuses to turnover the association books, funds, records and properties, despite demands made by the new Board, the newly elected Board and/or officers shall notify in writing the Regional Office of such failure to turnover. The Regional Office shall, if proper, order the turnover of the association books, funds, records and properties, under pain of sanction for non-compliance, without prejudice to the filing by the new Board of a verified complaint against the erring trustees or directors and/or officers before the HSAC.

Section 98. *Election Reports.* Within fifteen (15) days from the date of any regular or special election, the Election Committee shall submit the following documents to the Regional Office:

- a. Copy of the notice of election sent to the members and posted in conspicuous places in the subdivision/village or community;
- b. Proof of service and publication/posting of the notice of election, or notarized certification issued by the Election Committee attesting that notices of election were sent and/or delivered to all members, and that said notices were posted at the office of the association, on bulletin boards and other common areas and in conspicuous places within the subdivision/village or community;
- c. Master list of qualified voters as certified by the association Secretary and attested to by the Treasurer;
- d. List of members who participated in the election or the attendance sheet with the corresponding signatures of the members present, certified by the Election Committee;
- e. Notarized minutes of elections prepared and signed by the Election Committee stating, among others, the following:
 1. Mode or modes of conducting the election;
 2. Total number of qualified voters, the number of voters who cast their votes or participated in the elections;
 3. The number of votes garnered by each candidate, ranking and result of the voting.
 4. Copy of the election tally sheets certified by the Election Committee.
- f. Notarized Updated General Information Sheet signed by the association secretary.

For mobile ballot box voting system, in addition to the above, the Election Committee shall certify as to the following:

- a. Date and time the Election Committee and the representatives of the candidates departed from the polling place to conduct mobile ballot box voting;
- b. Number of ballots distributed to the members or their proxies and the number of ballots dropped in the sealed transparent ballot boxes, the name of the Election Committee member who issued the ballots, and the name of the Election Committee member who collected the ballots and brought the sealed ballot boxes to the designated polling place for counting; and
- c. List of members who voted at the place of residence, ballot number and signature of the member or proxy who received and dropped the ballot in the sealed ballot box.

**RULE XIV
PROHIBITED ACTS**

Section 99. Prohibited Acts. It shall be prohibited for any person or association:

- a. To compel a homeowner to join the association, without prejudice to the mandatory membership provisions of the deed of restrictions, its extensions or renewals as approved by the majority vote of the members of the association annotated on the title of the property, the contract for the purchase of a lot in the subdivision project, or an award under a CMP project or similar tenurial arrangement;
- b. To deprive any homeowner of the right to avail of or enjoy basic community services and facilities provided that the dues, charges, and other fees for such services have been duly paid;
- c. To prevent any homeowner who has paid the required fees and charges from reasonably exercising the right to inspect association books and records;
- d. To prevent any member in good standing from participating in association meetings, elections and referenda;
- e. To deny any member due process in the imposition of administrative sanctions;
- f. To exercise rights and powers as stated in Section 10 of Republic Act No. 9904 in violation of the required consultation and approval of the required number of homeowners or members;
- g. To unreasonably fail to provide basic community services, and to maintain, repair, and replace or modify facilities administered by the association;
- h. To implement association policies, rules and regulations, and deed of restrictions which have not been ratified by the members of the association;
- i. To require the driver of any vehicle entering the subdivision/village or community to surrender his/her driver's license;
- j. To collect fees, toll, or any amount from any person for passage through the subdivision roads except when it is the association that maintains the roads and/or pays for the real property taxes thereon;
- k. To prevent access or entry to, or collect gate fees, toll or any amount for such purpose from, any utility service or delivery provider in order to enter the subdivision/village or community to deliver goods or services ordered by the members or residents;

- l. To prevent access or restrict the entry of utility service providers to the subdivision, village or community in order to install their equipment, system or facilities pursuant to a contract with or approved application by a resident;
- m. To prevent access to or restrict the entry of utility service providers to the subdivision, village or community in order to disconnect services due to violations of the contract by the resident-customer/consumer;
- n. To impose any fees, including parking fees, usage fees and other similarly purposed-charges, in the use of roads, streets, and other open spaces within the subdivision except to impose reasonable regulations to insure free and unhampered access thereto;
- o. To require a buyer prior to purchasing a property within the subdivision/village, or a subsequent homeowner to pay the dues and other charges left unpaid by the former homeowner/member unless there is a written agreement for the purpose between the former homeowner and buyer/new homeowner exists;
- p. To knowingly enact resolutions in contravention of existing laws, rules, regulations and ordinances; and
- q. To commit other acts prohibited by existing laws, rules and regulations promulgated by duly constituted authorities, and the association's bylaws.

Rule XV

POWERS, DUTIES AND RESPONSIBILITIES OF DHSUD

Section 100. Powers, Authorities and Responsibilities of DHSUD. In addition to the powers, authorities and responsibilities vested in it by Republic Act No. 8763, Presidential Decree No. 902-A, Batas Pambansa Blg. 68 and Executive Order No. 535, Series of 1981, as amended, the DHSUD shall:

- a. Register all homeowners associations, federations, confederations or umbrella organizations of associations in subdivision projects and government housing projects;
- b. Regulate and supervise the activities and operations of registered homeowners associations, federations, confederations or umbrella organizations of the associations;
- c. Regularly conduct free orientation for trustees or directors, officers and/or members of associations or deputize another competent agency or entity to conduct the orientation;
- d. Verify and validate petitions for removal of trustee or director, or dissolution of the Board of Trustees or Directors;

- e. Exercise the same powers over federations, confederations and/or umbrella organizations of the associations;
- f. Impose fines and/or penalties for violation of laws, rules and regulations being implemented by the DHSUD;
- g. Formulate and publish a Code of Ethics and Ethical Standards for Board Members detailing prohibited conflicts of interest;
- h. Formulate the rules or manner of verification and validation of petitions for the removal of trustee/s or director/s of the association or dissolution of the Board;
- i. Formulate, in consultation with the representatives of associations, federations, confederations or umbrella organizations of the associations, standard nomenclatures to be used for the association's books of accounts, and a standard Articles of Incorporation and Bylaws for homeowners association for reference purposes;
- j. Formulate, in consultation with the representatives of associations, federations, confederations and/or umbrella organizations of the associations, the guidelines in regulating the kinds of contributions and fees that may be charged and/or collected by associations;
- k. Call upon the Philippine National Police, other law enforcement agencies, and other instrumentalities of the government, if necessary, for the enforcement of its functions; and
- l. Exercise such other powers as implied, necessary or incidental to the carrying out of the express powers granted to DHSUD or to achieve the objectives and purposes of Republic Act No. 9904.

Section 101. Monitoring. The Regional Office may, *motu proprio* or upon request or report of violations of the association by an interested party, inspect and examine documents, books and records, and investigate transactions and activities of the association for the purpose of ascertaining and enforcing its compliance with laws, rules and regulations being implemented by DHSUD.

- a. **Notice of Violation.** If, after investigation or upon evaluation of the reports, it appears that a violation of existing laws, rules and regulations of DHSUD has been committed by the association, the Regional Office shall order the association, its trustees or directors and/or officers to submit a sworn statement explaining or commenting on the reported violation within fifteen (15) days from the receipt thereof. The Notice of Violation shall clearly state the violations committed and the penalties and sanctions imposable therefor. Failure to submit a sworn explanation or comment within the said period shall render the findings as stated in the Notice of Violation final.
- b. **Evaluation.** Upon receipt of the sworn statement or comment, the Regional Office shall evaluate the explanation and/or justification and the documents

submitted, and resolve the reported violation in accordance with existing guidelines. When necessary, the Regional Office may call for a clarificatory conference either face-to-face or through digital means. With respect to financial records, the Regional Office may require the Board of Trustees or Directors to engage the services of an independent auditor who shall conduct and review the said financial records, at the expense of the complaining member, should any ambiguity or inconsistency in the documents submitted be found. Said expense shall be reimbursed by the association to the complaining member should the matters complained of be found valid. The independent auditor shall be an accredited Certified Public Accountant of the Board of Accountancy and/or the SEC.

- c. **Order of Imposition of Penalties.** When the association, its trustees or directors and/or officers fail to submit a sworn explanation within the prescribed period or when Regional Office finds the sworn explanation or comment unsatisfactory and it appears that the alleged violations were actually committed, it shall issue an OIP in accordance with existing guidelines. The OIP shall become final fifteen (15) days after its receipt by the party complained of.
- d. **Order of Termination of Proceedings.** Should the Regional Office find the explanation and/or justification satisfactory and the documents submitted in order, the Regional Office shall issue an Order of Termination of Proceedings (OTP) considering the monitoring proceedings on the subject matter as closed and terminated.
- e. **Appeal from the OIP/OTP.** A party not satisfied with or aggrieved by the issuance of the OIP or OTP by the Regional Office may file an appeal before the Office of the Secretary as provided under Section 102 hereof.

Section 102. Appeal From an Order or Issuance of the Regional Director.

An appeal may be taken from an order or issuance of the Regional Director in the exercise of regulatory functions, on any legal ground and upon payment of the appeal fee, by filing an appeal memorandum, in triplicate, with the Regional Office within fifteen (15) days from the receipt of the assailed order or issuance. Within five (5) days from the receipt of the appeal memorandum, the Regional Office shall elevate to the Office of the DHSUD Secretary through the Legal Service the records of the association relevant to the issues involved with a summary of the proceedings already taken on the subject matter of the investigation.

**RULE XVI
FINAL PROVISIONS**

Section 103. Penalties and Sanctions. The following penalties and sanctions, as provided under Republic Act No. 9904, shall be imposed, after due notice and hearing:

- a. Fine of not less than Five Thousand Pesos (P5,000.00) but not more than Fifty Thousand Pesos (P50,000.00); and
- b. Permanent disqualification from being elected or appointed as member of the Board, officer or employee of the Association, shall be imposed on serious and grave offenses without prejudice to being charged before a regular court for violations of the provisions of the Revised Penal Code, Civil Code and other pertinent laws.

If the violation is committed by the association, the members, officers, trustees or directors of the association who have actually participated in, authorized, or ratified the prohibited act shall be held liable.

If the violation is committed by the employees and agents who acted in gross violation hereof, the officers, trustees or directors, or incorporators of the association, shall be jointly and severally liable with the offending employees, agents, and the association.

Section 104. *Suppletory Application.* The provisions of Republic Act No. 11232 or the Revised Corporation Code shall have suppletory application on matters not covered by this Rules.

Section 105. *Amendments.* This Rules, or any provision thereof, may be amended by the DHSUD.

Section 106. *Separability Clause.* If any provision of this Rules is declared invalid or unconstitutional, the remainder of the Rules shall remain valid and subsisting.

Section 107. *Repealing Clause.* All other issuances, rules and regulations, or parts thereof inconsistent with this Rules are hereby repealed or modified accordingly.

Section 108. *Effectivity.* This Rules shall take effect fifteen (15) days from the date of its publication in a newspaper of general circulation.



EDUARDO D. DEL ROSARIO
Secretary
(SEP 15 , 2021)