



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR SUPERVISION AND EXAMINATION SECTOR

CIRCULAR LETTER Series of 2002

TO: ALL BANKS

Please be reminded of the following Bangko Sentral rules and regulations on Real and Other Properties Owned or Acquired (ROPOA) provided in BSP Circular No. 306 dated January 8, 2002 (corrected copy) and Appendix 18 of the Manual of Regulations for Banks:

1. Before foreclosing or acquiring any property in settlement of loans and other advances, it must be properly appraised to determine its true economic value. If the total amount to be booked as ROPOA exceeds P5 million, the appraisal must be conducted by an independent appraiser acceptable to the Bangko Sentral ng Pilipinas.
2. The property acquired shall be recorded at the balance of the loan (principal plus booked accrued interest receivable for time loans, or principal less unamortized income for bills discounted) or bid/purchase price, whichever is lower, provided that where the booked amount of the ROPOA exceeds the appraised value of the acquired property, an allowance for probable losses equivalent to the excess of the amount booked over the appraised value shall be set up.
3. An appraisal of such property shall be made at least every other year, provided that immediate re-appraisal shall be conducted on ROPOAs which materially decline in value.
4. For real estate properties owned or acquired –

The following properties/amounts are considered "Loss" and should be provided with one hundred percent (100%) valuation reserves:

- Foreclosure expenses and other charges included in the book value of the property, excluding the amount of non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase which meet the criteria for inclusion in the book value of the acquired property.
- The excess of the book value over the appraised value.
- Property whose title is definitely lost to a third party or is being contested in court.
- Property wherein the exercise of the right of usufruct is not practicable or possible as when it is eroded by a river or is under any like circumstances.



MAG-IMPOK SA BANGKO

Valuation reserves shall also be provided for all acquired real estate property in accordance with the following schedule, reckoned from the expiration of the statutory redemption period for foreclosure or from perfection of contract, if acquired through dation in payment:

End of Year After Expiry of Redemption Period or Perfection of Contract	Annual Provision to Cost of Acquisition	Accumulated Reserve
6 th Year	10%	10%
7 th Year	10%	20%
8 th Year	10%	30%
9 th Year	10%	40%
10 th Year	10%	50%

4. For other properties owned or acquired --

The following personal properties/amounts are considered "Loss" and should be provided with one hundred percent (100%) valuation reserves:

1. Property not sold for more than three (3) years from date of acquisition;
2. Property which is worthless or not salable;
3. Property whose title is lost or is being contested in court;
4. Foreclosure expenses and other charges included in the book value of the property; and
5. The excess of the book value of the property over its appraised or realizable value.

Valuation reserves shall also be provided for acquired personal property in accordance with the following schedule, reckoned from the date of foreclosure or from the perfection of the contract, if acquired through dation in payment:

End of Year After Date of Foreclosure or Perfection of Contract	Annual Provision to Cost of Acquisition	Accumulated Reserve
1 st Year	50%	50%
2 nd Year	30%	80%
3 rd Year	20%	100%

Banks are required to strictly comply with the above rules.


ALBERTO V. REYES
Deputy Governor

21 June, 2002