

REAL ESTATE

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# REAL ESTATE TERMINOLOGY

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## CHAPTER 1



**Acceleration Clause** – a provision in a promissory note or financing instrument which renders the remaining principal balance of the loan immediately due and payable upon default in any stipulated installment.

**Air Right** – right of a landowner to use and control the air space over his land, subject to the requirements of aerial navigation, law or contract.

**Amortization** – the periodic payment which includes principal and interest.

**Buyer's Equity** – the difference between contract price and the amount which can be loaned.

**Earnest Money** – amount accompanying an offer to purchase to show good faith or genuine desire of the buyer; it is considered part of the price if the offer is accepted, but is returnable if the offer is rejected.

**Escrow** – an agreement where the consideration of a contract or a portion thereof is deposited with a third party known as escrow agent who is authorized to release payment after fulfillment of some conditions.

**Escalation Clause** – stipulation in a promissory note authorizing periodic increase of interest rate, or a provision in a longterm lease authorizing periodic increase of rental.

**HoldOver Clause** – a provision in listing which entitles the broker to the commission even if he closed the sale after the period of his authority provided the sale is to a buyer whom the broker registered in writing to the seller and with whom he has negotiated during the period of his listing.

**Listing** – the authority given by the principal to the broker for the latter to negotiate the sale, purchase, lease, exchange or mortgage of property within a stipulated period and at stated price and terms.

**Progression, Principle of** – an appraisal principle which holds that the value of a property tends to be enhanced by association with superior properties.

**Regression, Principle of** – an appraisal principle which holds that the value of a property tends to be adversely affected by association with inferior properties.

**Unearned Increment** – increase in the value of real estate without any effort or expense by the owner.

# FUNDAMENTALS OF REAL ESTATE BROKERAGE

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## CHAPTER 2



1. **Real estate as a business** connotes trading in real estate where the principal invests his own money and/or avails of financing in the acquisition and/or improvements of real estate for subsequent sale, lease or other income. Such principal, known as real estate dealer, may be the owner/developer of a subdivision, condominium, resort and country club or memorial park project; the owner/lessor of an apartment, office building or other commercial properties; or engaged in buying and selling real estate for a profit.
2. **Real estate as a practice** refers to the rendition of professional service for or in behalf of a seller/buyer, lessor/lessee, financier/borrower, user or investor, or other clients in the acquisition, utilization, disposition, and/or development of real estate. A real estate broker, appraiser or consultant is engaged in real estate as a practice.
3. **Distinctions between real estate broker and dealer:**
  - a) A broker is required to secure a license as such from the Professional Regulations Commission (PRC) while a dealer is not required to secure a license as such from the PRC.
  - b) A broker is an agent while a dealer is a principal.
  - c) The income of a broker is referred to as commission or fee, while the income of a dealer is referred to as profit or rental.
4. **Real estate brokerage is a contract of agency.** Agency, in general, is a contract wherein a person binds himself to render some service or to do something in representation of or on behalf of another, with the consent or authority of the latter.
5. **Essential Elements of Agency:**
  - a) Mutual consent of parties to establish a relationship
  - b) Object is the execution of a juridical act
  - c) Agent acts for the principal and not for himself
  - d) Agent acts within the scope of his authority
6. **Modes of Extinguishing Agency:**
  - a) Expiration of the period
  - b) Death of the principal or agent
  - c) Withdrawal of agent
  - d) Accomplishment of purpose
  - e) Revocation
  - f) Dissolution of the firm which granted or accepted the agency

**Real Estate Brokerage** – the act or practice whereby a natural or juridical person, on behalf of a principal and for or in expectation of commission, fee or other valuable consideration, offers, advertises, solicits, lists, promotes, mediates, negotiates or effects the meeting of minds on sale, purchase, lease, exchange, mortgage, joint venture or other transactions in real estate or any interest therein.

### Scope of Real Estate Brokerage

- a) Sales Agency – engagement to look for a buyer
- b) Purchase Agency – authority to look for a property
- c) Lease Agency – procurement of tenants for rental properties
- d) Exchange Agency – negotiation for exchange of properties
- e) Loan Agency – procurement of loan secured by real estate
- f) Joint Venture Agency – negotiation of development contract between landowner and developer

### General Steps in Brokerage

1. Securing listings
2. Procuring prospects
3. Presentation
4. Demonstration
5. Closing

**Listing** – the authority given by the seller/buyer, lessor/lessee, financier/borrower or landowner/developer for the broker to negotiate the sale, purchase, lease, exchange, mortgage, development joint venture of real estate, for a certain period of time, at a certain price and terms, for a stipulated rate of commission.

### Contents of Listing:

- a) Name, address and signature of principal and broker
- b) Description of the property: Lot/Block/Plan/ Title Number, Location, Area, Improvements, Mortgages (if any), Utilities and Facilities
- c) Period of authority
- d) Price and terms
- e) Rate of commission

### Sources of Listing:

- a) Personal contacts
- b) Referrals
- c) Multiple listing and fellow brokers
- d) Membership in clubs and associations
- e) Foreclosure notices
- f) Banks and financing institutions
- g) Advertisements

### Factors to Consider in Listing:

- a) Price quotation of owner is within the realm of fair market value.
- b) Title is free from any condition or annotation which may pose legal obstacle to its disposition.
- c) Person giving authority is the owner or duly authorized representatives.
- d) Verification whether the property or portion thereof will be expropriated.
- e) Verification, in case of agricultural land, whether disposition is feasible under agrarian reform law.

### Procuring Prospects

A prospect is a person who is in need and can afford to buy. A person who has the willingness but without capacity or one who has the capacity but without willingness is only a suspect. One with willingness but without the capacity but has the willingness to have the capacity is a future prospect.

### Sources of Prospects

- a) Adjacent or neighboring owners
- b) Tenants of the property
- c) Previous clients
- d) Referrals
- e) Fellow brokers
- f) Advertisements
- g) Club membership
- h) Newspaper announcements
- i) Apartment dwellers
- j) Companies with provident housing benefits for employees

### Factors to Consider in Qualifying Prospects

- a) Need of the prospect
- b) Cash position or capacity to secure financing
- c) Verification whether or not prospect is authentic and not only a window shopper

**Presentation** – an orderly written/oral explanation of facts and figures that make a given property attractive to a prospective purchaser.

**Demonstration** – the process of showing the property and pointing out its physical qualities and other advantages and benefits to arouse the desire to possess or own it.

**Negotiation** – the process of reconciling the opposing views of the parties to a transaction as to price and terms.

**Closing** – the process when, thru the mediation of the broker, the minds of the parties meet where the buyer's offer of price, terms and other conditions become acceptable to the seller or vice versa.

### **Commission**

There is no law prescribing the rate of commission. Rather, it is determined by agreement between the principal and broker.

### **Requisites for Commission**

- a) Broker must be duly authorized by the principal
- b) Broker must procure a ready, willing and able buyer
- c) Broker must be the procuring cause; that is, he must be instrumental in effecting a meeting of minds between the parties
- d) Broker must close at the price and terms authorized

Entitlement to the commission accrues upon the consummation, not perfection of the contract.

# FUNDAMENTALS OF PROPERTY OWNERSHIP

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## CHAPTER 3



**Ownership** is the independent right of a person to the exclusive enjoyment and control of a property including its disposition and recovery subject only to the restrictions established by law and rights of others.

### **Rights Included in Ownership**

1. Right to possess
2. Right to use and enjoy
3. Right to the fruits
4. Right to dispose
5. Right to vindicate or recover

### **Limitations on Right of Ownership**

1. Those imposed in general by the State in the exercise of the power of taxation, police power and power of eminent domain.
2. Those imposed by law such as legal easement, requirement of legitime in succession, zoning, building code, rent control, urban and agrarian reform, subdivision regulations, escheat.
3. Those imposed by the grantor of the property on the grantee by contract, such as donation, last will, usufruct.
4. Those imposed by the owner himself, such as voluntary easement, lease, mortgage.

The term “**Title**” is not actually synonymous with Torrens Certificate of Title. Rather, it is a generic word which means proof, evidence, or document of ownership, such as tax declaration, realty tax receipts, deed of sale and Torrens Certificate of Title. But, of course, the best title or best evidence of ownership is the Torrens Title because it is indefeasible, imprescriptible and binding against the whole world.

### **Modes of Acquiring Title**

1. Private Grant
2. Public Grant
3. Involuntary Grant
4. Inheritance
5. Reclamation
6. Accretion
7. Prescription

### Right to Own

General Rule: Only Filipino citizens and corporations at least sixty percent of the capital of which is owned by Filipinos are entitled to acquire and own land in the Philippines.

**Exceptions to the General Rule** – Alien acquisition of real estate in the Philippines is allowed in the following cases:

- a) Acquisition before the 1935 Constitution
- b) Acquisition thru hereditary succession if the acquire is a legal heir
- c) Purchase of not more than forty percent interest in a condominium project
- d) Purchase by former natural born Filipino citizens subject to limitations prescribed by B.P. 185 and R.A. 8179

\*A Filipina who marries an alien retains her Philippine citizenship (unless the law of her husband's country makes her assume the citizenship of her husband because of such marriage) and can therefore acquire real estate in the Philippines.

### Lands of the Public Domain

Under the Constitution, lands of the public domain are classified into agricultural, forest or timber, mineral and national parks.

# FAMILY CODE ON PROPERTY RELATIONS BETWEEN SPOUSES

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## CHAPTER 4



### Marital Consent in Sale

1. When the title is in the name of “Juan married to Maria” or vice versa, marital consent in the disposition of the property is required in any of the following cases:
  - a) When the property regime governing the spouses is absolute community of property, except when the property is acquired before the marriage by gratuitous title (inherited or donated) or acquired before the marriage by a spouse who is survived by legitimate descendants by a prior marriage, or
  - b) When the property regime governing the spouses is conjugal partnership, except when the property is acquired during the marriage by gratuitous title or with exclusive funds or property of the acquiring spouse.
  
2. Marital consent is not necessary in the disposition of the property in the following cases:
  - a) When the property regime governing the spouse is absolute separation of property; or
  - b) When the property regime between the spouses is absolute community of property and the property was acquired by gratuitous title or acquired before the marriage by a spouse who is survived by legitimate descendants by a prior marriage; or
  - c) When the property regime between the spouses is conjugal partnership and the property was acquired by gratuitous title or with exclusive funds or property of the acquiring spouse.

# CONDOMINIUM CONCEPT

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## CHAPTER 5



### Distinctions Between Condominium and Traditional Concept of Ownership

1. **Evidence of Ownership** – Ownership in the traditional concept is evidenced by an original or transfer certificate of title, while condominium ownership is evidenced by condominium certificate of title.
2. **Capacity to Buy** – In the traditional concept of ownership, alien acquisition is not allowed except in cases of hereditary succession or transfer in favor of former natural born Filipino citizens. In the condominium concept, alien ownership not to exceed forty percent interest in the project is legally allowed.
3. **Extent of Ownership** – The interest of an owner in the traditional concept consists of absolute ownership of the inner and other structures of the building or house (the entire structure). In the condominium concept, the unit owner is the absolute owner of the space within the interior surface of his unit but is only a coowner of the exterior or façade of the unit.

### Condomizing

An owner or developer may convert a property into a condominium project by executing a legal document called Master Deed and registering the same with the Register of Deeds.

### General Steps in Condomizing

1. Preparation of building plans
2. Execution and registration of master deed
3. Organization of a nonstock, nonprofit condominium corporation
4. Execution of a deed of conveyance transferring land title to the condominium corporation
5. Submission of building plans to assessor's office to obtain individual tax declarations for the condominium units and common areas
6. Application for registration and license to sell with the HLURB

### **Rights of Unit Owner**

1. Absolute ownership of his unit
2. Coownership of land and common areas
3. Exclusive easement of the space of his unit
4. Nonexclusive easement to common areas for ingress or egress
5. Right to sell, lease or mortgage his unit
6. Right to repair, paint, decorate the interior surface of his unit
7. Right to participate and vote in condominium corporation meetings

### **Obligations of Condominium Unit Owner**

1. Pay the realty tax on his unit
2. Share the realty tax on the land and common areas
3. Pay the insurance on his unit
4. Share the insurance in the common areas
5. Comply with use restrictions
6. Pay dues and assessments
7. Give other unit owners the priority right to buy his unit (right of first refusal), if so required by the master deed

# BUILDING CODE OF THE PHILIPPINES

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## CHAPTER 6



### Republic Act No. 6541: An Act to Ordain and Institute a National Building Code of the Philippines

#### SECTION 1

##### Declaration of Policy

(a) It is hereby declared to be the policy of the State to safeguard life, health, property, and public welfare, consistent with the principles of environmental management and control; and to this end, make it the purpose of this Code to provide for all buildings and structures, a framework of minimum standards and requirements by guiding, regulating, and controlling their location, siting, design, quality of materials, construction, use, occupancy, and maintenance, including their environment, utilities, fixtures, equipment, and mechanical electrical, and other systems and installations.

##### Scope

(a) The provisions of this Code shall apply to the design, location, siting, construction, alteration, repair, conversion, use, occupancy, maintenance, moving, and demolition of, and addition to, public and private buildings and structures.

(b) Additions, alterations, repairs, and changes of use or occupancy in all buildings and structures shall comply with requirements for new buildings and structures except as otherwise herein provided. Only such portion or portions of the existing building or structure which have to be altered to effect the addition, alteration, or repair shall be made to conform to the requirements for new buildings or structures. Alterations should preserve the aesthetic value of the building to be altered.

(c) Where, in any specific case, different section of this Code specify different materials, methods of construction, or other requirements, the most restrictive shall govern.

### Application

(a) This Code shall apply to all buildings and structures constructed and any change or repair made thereon after the approval of said Code. Buildings or structures constructed before the approval of this Code shall not be affected thereby; Except, where their continued use or occupancy is dangerous to life or limb; or where alterations, additions, conversions, or repairs are to be made thereon, this Code shall apply only to such portions of the buildings or structure which have to be altered in order to effect such damages or repairs.

(b) This Code shall apply to chartered cities, poblaciones of municipalities and municipal districts with a population of at least two thousand (2,000) inhabitants, and to barrios of urban areas with a population of at least two thousand (2,000) inhabitants. This Code shall also apply to any area where there are fifty (50) or more families per hectare.

(c) This Code shall likewise apply to any area proposed for or being developed into a new town site, residential subdivision, commercial or residential site, school site, housing project, and similar construction projects where five or more buildings not covered by paragraph (d) of this Section will be constructed even if the poblacion or barrio population is less than two thousand (2,000) or the density of population is less than fifty (50) families per hectare.

(d) The design and construction requirements of this Code shall not apply to any traditional indigenous family dwelling costing not more than five thousand pesos (P5,000.00) and intended for use and occupancy of the family of the owner only. The traditional type of family dwellings are those that are constructed of native materials such as bamboo, nipa, logs, or lumber, wherein the distance between vertical supports or suportales does not exceed 3.00 meters (10 feet); and if masonry walls or socialos are used, such shall not be more than 1.00 meter (3 feet, 3 inches) from the ground: Provided, however, That such traditional indigenous family dwelling will not constitute a danger to life or limb of its occupants or of the public; will not be fire hazard or an eyesore to the community; and does not contravene any fire zoning regulation of the city or municipality in which it is located.

(e) Notwithstanding paragraph (d) of this Section, this Code shall apply to Group A dwellings produced on a commercial scale and intended for use by the general public.

### Dangerous and Ruinous Buildings or Structures

(a) General. The provisions of this Code shall apply to all dangerous buildings, as herein defined, which are now in existence or which may hereafter be constructed, as well as to ruinous buildings as defined in Article 482 of the Civil Code of the Philippines.

(b) Dangerous Buildings Defined. Dangerous buildings are those which are structurally unsafe or not provided with safe egresses, or which constitute a fire hazard, or are otherwise dangerous to human life, or which in relation to existing use constitute a hazard to safety or health or public welfare, by reason of inadequate maintenance, dilapidation, obsolescence, fire hazard, or abandonment; or which otherwise contribute to the pollution of the site or the community to an intolerable degree. Any building or structure which has any or all of the conditions or defects hereinafter described, or conditions or defects similar thereto, shall be deemed to be dangerous building: Provided, That such conditions or defect exists to the extent that the life, health, property, or safety of the public or its occupant are endangered:

Whenever any door, aisle, passageway, stairway, or other means of exist is not of sufficient width or size, or is not so arranged as to provide safe and adequate means of exit in case of fire or panic;

(2) Whenever the stress in any materials member or portion thereof, due to all dead and live loads is more than one and onehalf times the working stresses or stresses allowed in this Code for new building of similar structure, purpose, or location: Provided, that in determining working stress, the working stress method of analysis shall be used, and in the case of engineering "overstress", the ultimate strength method;

(3) Whenever any portion thereof has been damaged by fire, earthquake, wind, flood, or by any other cause, to such an extent that the structural strength or the stability thereof is materially less than it was before such catastrophe and is less than the minimum requirements of this Code for new buildings of similar structures, purpose, or location;

(4) Whenever any portion or member or appurtenance thereof is likely to fall, or to become detached or dislodged, or to collapse and thereby injure persons or damage property;

(5) Whenever any portion or member or any appurtenance or ornamentation of the exterior thereof is not of such sufficient strength or stability, or is not so anchored, attached, or fastened place so as to be capable of resisting a wind pressure of onehalf of that specified in this Code for new buildings of similar structure; purpose, or location without exceeding the working stresses permitted for such buildings;

(6) Whenever any portion thereon has wracked, warped, buckled, or settled to such an extent that walls or other structural portions have materially less resistance to winds or earthquake than is required in the case similar new construction;

(7) Whenever the building or structure, or any portion thereof, because of: (i) dilapidation, deterioration, or decay; (ii) faulty construction; (iii) the removal, movement, or instability of any portion of the ground necessary for the purpose of supporting such building; (iv) the deterioration, decay, or inadequacy of its foundation; or (v) any other cause, is likely to partially or completely collapse;

(8) Whenever, for any reason, the building or structure, or any portion thereof, is manifestly unsafe for the purpose for which it is being used;

(9) Whenever the exterior walls or other vertical structural members list, lean, or buckle to such an extent that the structure falls within the condition described in the preceding subparagraph (2), above, or whenever any portion thereof suffers a material reduction of the fire and weather resistance qualities of characteristics required by this Code for newly constructed buildings of like area, height, and occupancy in the same location;

(10) Whenever a building or structure, used or intended to be used for dwelling purposes, because of inadequate maintenance, dilapidation, decay, damage, faulty construction or arrangement, inadequate light, air, or sanitation facilities, or otherwise, is found to be unsanitary, unfit for human habitation, or in such a condition that is likely to cause sickness or disease;

(11) Whenever any building or structure, because of obsolescence, dilapidated condition, deterioration, damage, inadequate exists, lack of sufficient fire-resistive construction, or other cause, is found to be a fire hazard;

(12) Whenever any portion of a building or structure remains on a site after demolition or destruction of the building or structure is abandoned for a period in excess of six months, so as to constitute a nuisance or hazard to the public;

(13) Whenever any building or structure is in such a condition as to constitute a public nuisance defined in Article 694 and 695 of the Civil Code of the Philippines.

# CONTRACT DOCUMENTATION AND PROPERTY REGISTRATION

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## CHAPTER 7



**Documentation** – writing in appropriate legal form all the information, terms and conditions of an agreement involving land or an interest therein.

### **Reasons for Documentation**

1. To ensure that the meeting of the minds between or among contracting parties as to price, terms and other conditions is clear and explicit.
2. To provide a “reminder” as to the stipulations agreed upon in case one or both parties, due to lapse of time, cannot accurately recall the terms and conditions of the contract.
3. To have the basis for the performance of the stipulated obligations by heirs who were not privies to the contract in case one or all of the contacting parties should die.
4. To comply with legal provisions requiring certain contracts to be in writing.

### **Essential Elements of Deed of Conveyance**

1. Parties to a transaction
2. Description of property
3. Consideration
4. Dispositive clause or words of grant
5. Signature of parties
6. Notarial acknowledgement

### **Parties to a Transaction**

There are at least two parties to a transaction. In sale, they are the seller and buyer; In lease, the lessor and lessee; In mortgage, the mortgagor and mortgagee.

### **Individuals as Parties**

The instrument must contain the following data concerning the parties:

- a) Full Names
- b) Citizenship
- c) Capacity to Contract
- d) Civil Status
- e) Personality in the Contract

### **Juridical Persons as Parties**

When a party to a deed is a corporation or partnership, the instrument must state the following information.

- a) That the firm has a legal right to own land in the Philippines in case ownership is to be transferred to it.
- b) The contract is duly authorized by proper resolution of the Board of Directors in case of corporation, or agreed upon by all or such authorized partners in case of partnership.
- c) The officer duly authorized to represent and sign in behalf of the firm.

### **Description of Property**

1. Titled Land. The description should include the location, title/lot/block/plan number, boundaries and area.
2. Untitled Land. The description must include:
  - a) Nature of the land
  - b) Boundaries and area
  - c) Muniments by which the boundaries are visible, such as monuments, trees (what kind), creek or river, other landmarks
  - d) Tax declaration number and assessed value
  - e) Name/s of person/s in present possession

### Some Provisions in Contracts

#### In Sale:

- a) Who will pay for the expenses, such as capital gains/withholding tax, documentary stamps, transfer tax and registration fees
- b) Period for delivery of the property
- c) Items included in the sale
- d) Proration of realty tax, insurance premiums, electric and water bills
- e) Escrow provision where the buyer pays a down payment and the balance is deposited in escrow with a bank in the following cases:
  - aa) The lot is with squatters and the seller assumes their ejection
  - bb) Title has annotation such as "lis pendens" which the seller binds himself to cause the cancellation of
  - cc) Building has tenants and escrowed money will be released to the seller after all tenants have vacated the property
  - dd) Sale involves agricultural land and the seller assumes responsibility to secure clearance or conversion permit from the Department of Agrarian Reform
- f) In case of installment sale:
  - aa) Period for payment of balance of price.
  - bb) Cancellation of contract in case of default in payment.
  - cc) Forfeiture of all or portion of downpayment in case of contract cancellation due to default in payment.
  - dd) Provision that title will only be transferred upon full payment of purchase price.

#### In Lease:

- a) Period or duration of the lease
- b) Rental rate – when and where to be paid; whether or not it is net of withholding tax; escalation clause
- c) Deposit requirement
- d) Whether or not lessee has right to sublease or assign the leasehold
- e) Use and purpose
- f) Responsibility for repairs and maintenance
- g) Responsibility for association dues; electric, water, telephone and other utilities
- h) Consequences or pretermination of the lease
- i) Rights of lessor and lessee with reference to improvements
- j) Inspection of premises by lessor
- k) Sale of leased premises

# SALIENT FEATURES OF URBAN LAND REFORM

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## CHAPTER 8



### Objectives

1. Liberate human communities from blight, congestion and hazard.
2. Promote the optimum use of land as national resource for national welfare.
3. Provide equitable access and opportunity to the use and enjoyment of the fruits of the land.
4. Acquire such lands as are necessary to prevent speculative buying.
5. Maintain and support a vigorous private enterprise system responsive to community requirements in the use and development of urban land.

### Criteria for Urban Land

1. Cities and municipalities with population density of at least 1,000 persons per square kilometer where at least fifty percent of economically active population is engaged in nonagricultural activities.
2. Barangays comprising a former poblacion with a population density of more than 500 but less than 1,000 persons per square kilometer where at least fifty percent of the economically active population are engaged in nonagricultural activities.

### Transactions in Urban Land Reform Zones

1. Any sale, lease or mortgage, including the proposed price, rental or encumbrance requires prior approval of the Housing and Land Use Regulatory Board.
2. The HLURB shall have the preemptive right to acquire lands in urban land reform zones.

### Tenant's Right of First Refusal

Tenants of urban land on which they constructed their residence shall have the priority right to buy the land if the following requisites are present:

1. They are legitimate tenants;
2. They have occupied the land for at least ten years;
3. The land is within an urban land reform zone; and
4. The landowner is selling the land.

# SALIENT FEATURES OF AGRARIAN LAND REFORM

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## CHAPTER 9



### **Agrarian reform**

The redistribution of public and private agricultural lands, regardless of produce and tenorial arrangement, to landless farmers and regular farm workers, to include support services and other arrangements alternative to distribution of land such as production/profit sharing, labor organization or distribution of shares of stock.

### **Exemptions and Exclusions**

The following are exempt from coverage of the agrarian reform law:

1. Lands actually, directly and exclusively used for prawn farms and fishponds provided that they have not been distributed and Certificates of Land Ownership Award (CLOA) issued to agrarian reform beneficiaries.
2. Lands devoted to the raising of livestock, poultry or swine.
3. Agricultural lands reclassified either as residential, commercial or industrial thru zoning ordinances approved by the Housing and Land Use Regulatory Board before June 15, 1988.
4. Agricultural lands with 18% slope or more.
5. Lands actually, directly and exclusively used and found necessary for parks, wildlife, forest reserves, reforestation, fish sanctuaries and breeding grounds, watersheds and mangroves.
6. Lands actually, directly and exclusively used and found necessary for national defense, school sites, church sites, mosque sites, communal burial grounds, penal colonies and the like.

# LEGAL ASPECT OF SALE, MORTGÁGE AND LEASE

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## CHAPTER 10



### **Sale**

A contract whereby one of the contracting partners (seller) obligates himself to transfer ownership of and to deliver a determinate thing and the other party (buyer) to pay therefore a price certain in money or its equivalent.

### **Essential Elements of Sale**

1. Consent or meeting of the minds
2. Determinate subject matter
3. Price certain in money or its equivalent

### **Who Can Enter Into Contract of Sale**

As a general rule, all persons whether natural or juridical, who can bind or obligate themselves have legal capacity to buy and sell.

### **Absolute Incapacity to Sell and Buy**

1. The husband and wife cannot sell property to each other except in the following cases:
  - a) When separation of property was agreed upon in their marriage settlement executed before the marriage in a public instrument, or
  - b) When the spouses obtained a judicial separation of property during their marriage.
2. Foreigners cannot buy real estate in the Philippines except in the following cases:
  - a) When the purchase refers to a condominium unit not exceeding forty percent interest in the project.
  - b) When the foreigner is a former naturalborn Filipino citizen, subject to the limitations prescribed by Batas Pambansa 185 and R.A. 8179.
3. Unemancipated minors, insane or demented persons and deafmutes who do not know how to write.

### Relative Incapacity to Buy

The following persons cannot buy, even at public or judicial auction, either in person or through another:

- **Public officials and employees** – with reference to property of the State or any of its political subdivisions, the administration of which has been entrusted to them.
- **Agents** – with reference to property entrusted to them for administration or sale, unless the consent of the principal has been given.
- **Guardians** – with reference to property under guardianship
- **Executors and administrators** – with reference to property under their administration.
- **Justices, judges, fiscals and clerks of court** – with reference to property in litigation or levied in execution in the court within their jurisdiction.

### Obligation of Parties

#### Seller

- a) Transfer ownership of property sold;
- b) deliver possession to the buyer;
- c) warrant against eviction and hidden defects; and
- d) pay expenses for execution and registration of the sale, unless otherwise stipulated.

#### Buyer

- a) Pay the price; and
- b) accept delivery of possession.

### Distinction Between a Contract of Sale and Contract to Sell

In a **contract of sale**, there is already a transfer of ownership. In a **contract to sell**, there is no transfer of ownership yet but merely a mutual promise to buy and sell.

The test to determine whether a contract is a contract of sale or a contract to sell is not the manner of payment (whether cash or installment) but whether or not there is conveyance of ownership in the dispositive or grant clause of the deed. There is **transfer of ownership** when the dispositive clause states that the vendor “hereby sells, transfers and conveys unto the vendee in a manner absolute and irrevocable xxx”

### Real Estate Mortgage

contract by which the debtor guarantees to the creditor the fulfillment of a principal obligation, subjecting for the faithful compliance therewith, a real property in case of nonfulfillment of said obligation.

### Points to remember regarding REM:

It is entered into in order to secure the fulfillment of a principal obligation. In case of the debtor's nonpayment of the debt secured by the mortgage, the only right of the mortgagee is to foreclose the mortgage and have the encumbered property sold to satisfy the outstanding indebtedness.

As a general rule, the mortgagor retains possession of the property since mortgage is merely a lien and ownership is not transferred to the mortgagee.

A simple mortgage does not give the mortgagee a right to the possession of the property unless the mortgage should contain some special provision to that effect.

A mere mortgagee has no right to eject the occupants of the property mortgaged because a mortgage passes no title to the mortgagee.

### Pactum Commissorium

a stipulation in a deed of mortgage that upon failure of the mortgagor to pay the debt, the mortgaged land shall become the property of the mortgagee or the transaction shall become a sale and the consideration of the mortgage shall be considered as payment of the price of the land. This kind of stipulation is null and void because it is against public policy.

### The subject matter of Real Estate Mortgage:

1. Immovable properties
2. Alienable real rights in accordance with the laws imposed upon immovables

### Characteristics of REM

- **Accessory**  
A mortgage is merely an accessory contract, it cannot exist without a valid principal obligation.
- **Indivisible**  
The rule is that a mortgage is indivisible, even though the debt may be divided among the successors in interest of the debtor or the creditor.

### Lease

a consensual, bilateral, onerous and commutative contract by virtue of which one person binds himself to grant temporarily the use of a thing or to render some service to another who undertakes to pay some rent, compensation or price.

### Registration of Contract of Lease

Every lease of real estate may be recorded in the Registry of Property. Unless a lease is recorded, it shall not be binding upon third persons. However, when a third person knows of the existence and duration of the lease, he is bound by such lease even if it has not been recorded.

### Obligations of the Lessor

- a) To deliver the thing which is the object of the contract in such a condition as to render it fit for the use intended
- b) To make the necessary repairs to keep it suitable for the use to which it has been devoted, unless there is a stipulation to the contrary
- c) To maintain the lessee in the peaceful and adequate enjoyment of the lease for the entire duration of the contract

### Obligations of the Lessee

- a) To pay the price of the lease according to the terms stipulated
- b) To use the thing leased as a diligent father of a family, devoting it to the use stipulated
- c) To pay the expenses for the deed of lease

### Period of Lease

- a) 99 years if lessee is a Filipino citizen
- b) 25 years renewable for another 25 years, if Lessee is a foreigner but not an investor (in accordance with PD 471)
- c) 50 years and can be extended to another 25 years if Lessee is a foreign investor and the leased property is used solely for investment purpose (RA 7652)

### Should the Lease Agreement be in writing?

Lease of real estate may be made orally; however, if the lease period is for more than one (1) year, it must be in writing.



### Principles for Appraisal and Assessment of Real Property

1. Real property shall be appraised at its current and fair market value;
2. Real property shall be classified for assessment purposes on the basis of its actual use;
3. Real property shall be assessed on the basis of a uniform classification within each local government unit;
4. The appraisal, assessment, levy and collection of real property tax shall not be let to any private person;
5. The appraisal and assessment of real property shall be equitable.

**Assessed Value** – the Fair Market Value of the real property multiplied by the assessment level. It is somewhat synonymous to taxable value.

The Assessed Value of a real property is determined by the formula:

$$AV = MV \times AL \quad \text{where: } AV = \text{ASSESSED VALUE}$$
$$MV = \text{MARKET VALUE}$$
$$AL = \text{ASSESSMENT LEVEL}$$

### Declaration of Real Estate for Assessment

1. By Owner required to file sworn declaration of ownership and value of property once every three years during the period January to June.
2. By Transferees – required to file a sworn declaration of ownership and value within sixty days from acquisition.

### Documentary Requirements for Transfer of Tax Declaration

1. Copy of Deed of Conveyance
2. Copy of new title in the name of transferee
3. Copy of BIR Clearance
4. Copy of Capital Gains Tax or Withholding Tax and Documentary Stamp Receipts
5. Copy of Transfer Tax Receipt
6. Copy of Real Estate Tax Clearance

### Documents for New Improvement

1. Copy of building permit
2. Copy of building plans
3. Certificate of Completion by architect or builder
4. Occupancy Permit by building official

### Date of Effectivity of Assessment or Reassessment

1. All assessments or reassessments made after the first day of January of any year shall take effect on the first day of January of the succeeding year.
2. Reassessment of real property due to its partial or total destruction, or to a major change in its actual use, or to any great and sudden inflation or deflation of property values shall be made within 90 days from the date any such cause occurred and shall take effect the beginning of the quarter next following the reassessment.

### Appeals from Assessment

1. Valuation of assessor may be appealed with the Local Board of Assessment Appeals within sixty days from receipt of notice of assessment. The Board is composed of the City or Provincial Register of Deeds as chairman and City or Provincial Prosecutor and Engineer as members.
2. Decision of the Local Board of Assessment Appeals may be appealed with the Central Board of Assessment Appeals within thirty days from receipt of the decision.

### Assessment Level

The assessment level to be applied to the Fair Market Value of real property to determine its assessed value shall be fixed by ordinances of the Sangguniang Panlalawigan, Sangguniang Panglungsod or Sangguniang Pambayan of a municipality within the Metropolitan Manila Area at the rates not exceeding the following:

### On Land:

CLASS	ASSESSMENT LEVEL
Residential	20%
Agricultural	40%
Commercial	50%
Industrial	50%
Mineral	50%
Timberland	20%
Rate of Property Tax	

Tax rates are to be set forth by a local ordinance with maximum rates as follows:

**For Provinces** – not exceeding one (1%) percent of the assessed value of the property. For Cities and Municipalities within Metro Manila – not exceeding two (2%) percent of the assessed value of the property.

### Special Education Fund (SEF)

In addition to the basic real property tax, the LGUs may levy and collect an annual tax of one (1%) percent which shall accrue exclusively to the Special Education Fund (SEF).

### Additional Ad Valorem Tax on Idle Lands

In addition to the basic real property tax, LGUs may impose an annual tax on idle lands at the rate of not exceeding five (5%) percent of the assessed value of the property.

### Taxpayer's Remedies Against Special Levy

Any owner of real property affected by a special levy or any person having a legal interest therein may, within sixty (60) days from the date of receipt of the written notice of assessment of the special levy may protest such assessment and the decision on the protest may be appealed to the Local Board of Assessment Appeals (LBAA) and further, if necessary, to the Central Board of Assessment Appeals (CBAA).

### **Collection of Real Property Tax**

The real property tax for any year shall accrue on the first day of January and from that date it shall constitute a lien on the property which shall be superior to any other lien, mortgage, or encumbrance of any kind whatever and shall be extinguished only upon the payment of the delinquent tax. The tax may be paid in four (4) quarterly installments which shall be paid on or before the last day of the quarter.

### **Tax Discount for Advanced and Prompt Payment**

If the basic real property tax and the additional tax accruing to special education fund are paid on time or in advance in accordance with the prescribed schedule of payment as provided in Article 341 of this Rule, the Sangguniang concerned may grant a discount not exceeding twenty percent (20%) of the annual tax due.

For the purpose of this Rule, prompt payments may be given a discount of ten percent (10%), while advanced payments may be entitled to the maximum discount of twenty percent (20%).

# TAX ON REAL ESTATE TRANSACTIONS

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## CHAPTER 12



In buying real properties, all taxes to be paid that are necessary for the transfer of title shall be shouldered by whoever was designated and agreed in the deed of sale.

However, if the deed of sale is silent as to who will shoulder what taxes and expenses, all taxes and expenses necessary to effect the transfer of title shall be shouldered by the seller.

If in buying a real property, a provision in the deed of sale provides "that the buyer shall shoulder all or any particular taxes", the buyer should be aware beforehand of what taxes would be needed to pay and how it would be computed.

### **Classification of Assets**

1. Capital assets shall refer to all real properties held by a taxpayer, whether or not connected with his trade or business and which are not included among the real properties considered as ordinary assets under Section 39 (A) (1) of the Revenue Code.
2. Ordinary assets shall refer to all real properties specifically excluded from the definition of capital asset, namely:
  - a) Stock in trade of a taxpayer or other real property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year; or
  - b) Real property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business; or
  - c) Real property used in trade or business of the taxpayer.

Note: Real properties acquired by banks through foreclosure sales or dacion en pago are considered as their ordinary assets.

**Capital Gains Tax** – tax imposed on the gains presumed to have been realized by the seller from the sale, exchange or other disposition of real property located in the Philippines, classified as capital assets, including pacto de retro sales and other forms of conditional sale.

**Transactions Subject to Capital Gains Tax** – Sales, exchanges, dacion en pago (conveyance of property), pacto de retro sales and other dispositions of real estate located in the Philippines and classified as capital asset, by individual citizen, domestic corporation, individual resident alien and nonresident alien engaged in trade or business in the Philippines.

### **Venue and Date of Payment of Capital Gains Tax**

- a) Where paid – with authorized agent bank (AAB) located within the Revenue District Office (RDO) having jurisdiction over the place where the property being transferred is located.
- b) When payable – within thirty (30) days from notarization of the deed of conveyance. Payment after the said date shall be subject to twenty five percent penalty.

### **Rate and Basis Tax of Capital Gains Tax**

The rate of capital gains tax is six percent computed on the following basis:

- a) Sale and Lot only – Basis is whichever is higher between price per deed of sale or lot zonal value.
- b) Sale of Lot with Improvement – Basis is whichever is higher between the price per deed of sale, on one hand and lot zonal value plus improvement value, on the other hand.
- c) Sale of Condominium Unit – Basis is whichever is higher between the price per deed of sale or condominium unit zonal value.
- d) Sale of agricultural land without zonal value – Basis is whichever is higher between price per deed of sale or adjusted BIR value. Adjusted BIR value is market value per tax declaration plus 150%.

### **Conditions for Exemption from Capital Gains Tax**

- a) The seller is a natural person and the capital asset sold is his principal residence (family home).
- b) The BIR is duly notified by the taxpayer within thirty days from the date of sale through a prescribed return of his intention to avail of the tax exemption.
- c) The proceeds of the sale will be used to acquire or construct a new family home within eighteen months.
- d) The tax exemption can only be availed of once every ten years.
- e) If there is no full utilization of the proceeds of the sale, the portion of the gain presumed to have been realized from the sale shall be subject to capital gains tax.

### Withholding Tax

**Transactions Subject to Withholding Tax** – Sale, exchange or transfer of ordinary asset by individual citizens, domestic corporation, estate or trust.

NOTE: In the case of resident foreign corporations being the seller, their sale of real property located in the Philippines, regardless of classification shall be subject to creditable withholding tax

In the case of nonresident foreign corporations being the seller, their sale of real property located in the Philippines shall be subject to the final withholding tax of thirtytwo percent.

**Documentary Stamp Tax** – a tax on documents, instruments loan agreements and papers evidencing the acceptance, assignment sale or transfer of an obligation, rights or property incident thereto.

**Transfer Tax** – tax payable to the local government (City or Provincial Treasurer) for the sale or other disposition of real estate, regardless of classification of the property.

- a) The rate is not more than one percent for properties located in the cities (wherever located) and municipalities in Metro Manila and not more than onehalf percent for properties located in the provinces.
- b) Basis is the contract price or market value per tax declaration whichever is higher. However, the local government may enact an ordinance prescribing as basis the contract price or zonal value, whichever is higher.

### EVAT Relating to Real Estate

Expanded Value Added Tax is an indirect tax. It can be passed on to the buyer. However, it should be inputted or built in the price. The sales contract cannot stipulate that the “EVAT shall be for the account of the buyer.”

# FUNDAMENTALS OF REAL ESTATE APPRAISAL

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## CHAPTER 13



### **Real Estate and Real Property**

Real estate refers to the physical land and appurtenances, including structures permanently attached thereto.

**Real property** refers to the interests, benefits and rights inherent in the ownership of real state. It is the bundle of rights with which the owner of real estate is endowed.

### **Purpose of Appraisal**

1. In connection with purchase and sale
2. In connection with financing and credit
3. In connection with corporate affairs
4. In connection with partition of estate
5. In connection with eminent domain

### **Factors Affecting Accuracy of Appraisal**

1. Competence of the appraiser
2. Integrity of the appraiser
3. Soundness of the procedure used in the appraisal
4. Availability of the pertinent data

### **Value**

1. As per US Society of Residential Appraisers  
"Value is the present worth of future benefits to a typical buyer."
2. As per American Inst. of Real Estate Appraisers  
"Value (actual cash) is the price the property will bring in a fair market, after a fair and reasonable effort has been made to find a purchaser who will give the highest price."

Generally, however, "value" refers to what a willing buyer, not forced to buy, will pay and what a willing seller, not forced to sell, will accept, after exposing the subject property in a free and an open market within a reasonable period of time.

**Market Value** – the highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

### **Other Values Derived by Appraisal**

1. Insurable value – to serve the need of insured, insurer and adjuster.
2. Going concern value – to serve for corporate mergers the issuance of stock, revision of book figures and so forth.
3. Liquidation value or price – for forced sale or auction proceedings.
4. Assessed value – to establish a uniform schedule for property and ad valorem taxation.
5. Condemnation value – for eminent domain cases.

### Cost and Price

**Price** is the amount of money paid for a certain property regardless of market value.

**Cost** is the amount of money expended to develop or to acquire a certain property. (Price plus expenses such as transfer taxes and notarial)

### Guiding Principles in valuation

1. Principle of Anticipation
2. Principle of Substitution
3. Principle of Change
4. Principle of Contribution
5. Principle of Diminishing and Increasing Returns
6. Principle of Highest and Best Use
7. Principle of Balance
8. Principle of Conformity, Progression and Regression
9. Principle of Competition
10. Principle of Supply and Demand
11. Principle of Externalities

### Factors That Influence Real Estate Value

1. Location, shape, topography, depreciation, climate condition, soil depth & fertility, size, etc.
2. Economic factors such as purchasing power, population density, business & trade opportunities, inflation or deflation etc.
3. Political and Governmental Factors such as monetary and credit policies, taxes and licenses, zoning and building regulations, rent control etc.

### The Three Basic Approaches to Valuation

Appraisers commonly think of value in three ways:

1. **Cost Approach** – The current cost of reproducing a property less depreciation from all source that is, deterioration, functional and economic obsolescence.
2. **Income Approach** – The value which the property's net earning power will support based upon a capitalization of net income.
3. **Market Data Approach** – The value indicated by recent sales of comparable properties in the market.

The **Appraiser** utilizes all three approaches in most of his or her appraisal works. He may believe that the value indicated by one approach will be more significant than that of the other two, yet he will use all three as a check against each other and to test his own judgment. However, there are appraisal problems in which they cannot be applied such as in a vacant land, the use of the cost approach, or in the case of an owner occupied home, the use of income approach. All three approaches are needed in the solution of most appraisal problems.

### Three Kinds of Depreciation

1. Deterioration or the physical wearing out of the property.
2. Functional obsolescence or lack of desirability in terms of lay out, style and design as compared with that of a new property serving the same function.
3. Economic obsolescence relating to loss of value from causes outside the property itself.

# CODES OF ETHICS AND RESPONSIBILITIES FOR REAL ESTATE SERVICE PRACTITIONERS

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## CHAPTER 14



**Article II Section 2. The Real Estate Service Practitioners shall perform it duties and responsibilities with utmost integrity, responsibility, fidelity, sincerity, respect and courtesy for colleagues in the profession with a behavior proper to a professional.**

The Real Estate Service Practitioners shall adhere to the strict compliance of the National Code of Ethics and Responsibilities with honesty, good moral conduct and strong sense of values. The practitioner shall observe at all times objective moral standards in the practice of real estate service with good governance in relation with his/her client(s) and the community and in service to the nation and Filipino people.

### **Article III Professional Rules of Conduct and Responsibilities**

The Practitioners shall be governed by the following professional rules of conduct and responsibilities.

#### **Section 1. To the Government**

(a) The Practitioner shall secure all the necessary licenses, permits and authority from the Commission and other government agencies as may be required by law, ordinance or rules and regulations and comply with all the requirements relative to the practice of real estate service.

(b) The Practitioner shall pay any and all professional fees and taxes that are required by law in the practice of real estate.

(c) The Practitioner shall not encourage, tolerate or participate in the evasion or illegal reduction in the payment of all taxes, fees or charges that is due to the government.

#### **Section 2. To the Public**

(a) The Practitioner shall be imbued with a social responsibility and conscience being part of society with duties and responsibilities for the promotion of the common good.

(b) The Practitioner shall cooperate with the government in protecting the public against deceit, misrepresentation, unfair, relevant information and other related unethical and immoral practices and malpractices of unlicensed and unauthorized real estate service practitioners.

(c) The Practitioner shall endeavor to present the full disclosure of pertinent and material facts on the subject property in advertisements (i.e. brochures, flyers and press releases (whether in trimedia or electronic media/means).

### Section 3. To the Clients

(a) The Practitioner in accepting any authority, listing and/or assignment to act for and in behalf of a client shall be obliged with prudence, integrity, loyalty, fidelity and good faith in protecting and promoting the interest of the client without sacrificing the legitimate interest of the other party in the transaction which shall not be contrary to the law, good morals and public interest.

(b) The Practitioner shall not accept any professional fee or valuable consideration from any party of the real estate transactions except from his/her client unless with the full knowledge and consent of all the parties.

(c) The Practitioner shall charge or collect standard professional fees which are fair and reasonable in accordance with real estate industry practice in similar transactions but not lower than the agreed minimum professional fee as recommended by the accredited and integrated professional organization based on the existing standards of real estate service practice.

### Section 4. To Fellow Practitioners

(a) The Practitioner shall not use any vital documents relative the professional conduct without written consent by the other Practitioner.

(b) The Practitioner may coordinate with other Fellow Practitioners and agree their respective reasonable professional fees in accordance with the Tariff of Professional Fees prescribe by the Accredited and Integrated Professional Organization (APO).

(c) The Practitioner shall not use or solicit the services of the employee of another Practitioner without the written consent by the latter.

(d) The Practitioner shall not engage in slander, oral defamation, gossip, or criticize publicly a fellow practitioner and/or competitor nor volunteer a negative and damaging opinions of a competitor and/or fellow practitioner in any means (SMS, electronics mails or letters, etc of similar nature). And if one's opinion is essentially sought for common good, the Practitioner shall render it with prudence, truth with professional integrity, courtesy and respect to a fellow practitioner cautious in safeguarding the latter's human rights and good reputation and credibility.

## Chapter 14: Codes of Ethics and Responsibilities for Real Estate Service Practitioner

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(e) The practitioner shall not seek unjust and unfair advantage over his/her fellow practitioners by organizing or sowing discord, spreading and bad mouthing against other practitioners particularly officers and members of their association or APO or even other associations.

(f) The Practitioner shall willingly share, contribute, write and publish articles for the benefit of fellow practitioners and for the good of the real estate industry by imparting knowledge, technical training, experiences, studies or research without prejudice to classified or confidential information from client.

(g) The Practitioner shall conduct ethical and professional practice with honor, dignity and integrity to avoid any controversies with fellow practitioners.

### Article IV Specific Duties and Responsibilities

#### Section 1. Real Estate Brokers shall:

(a) Make sure that all agreements, terms and conditions, financial obligations and commitments in real estate transactions are in writing, duly signed by all the parties concerned.

(b) Not advertise any property listings and/or inventories without written authority from the Client and shall endeavor to offer the same at the authorized amount granted by the client.

(c) Present all written offers/proposals or counteroffers/proposals to the Client for sound judgement or decision and shall endeavor to make the client conclude to a fair and reasonable contract advantageous to all the parties concern to the transaction and likewise, assist the client or the other party acquire possession and ownership of the property subject to the transaction in accordance with the agreed terms and conditions of the parties.

(d) Not secure listings/inventories currently exclusively listed with another licensed Real Estate Broker unless said exclusive listing agreement had expired/revoked by the client and the latter offers it to the new licensed Real Estate Broker who did not solicit it or use any unethical means to acquire the said listing agreement.

(e) In accepting listings/inventories from the Listing Broker, respect the listing agreement of the latter until the expiration thereof.

(f) Not transmit to any Third licensed Real Estate Broker vital information about the property listings/inventories via electronic mails, SMS or published it any form of announcements/advertisements without the written consent of the Listing Broker.

(g) Not accept any listings/inventories from the Client or any third party which inventories has been previously listed to a licensed Real Estate Broker without conducting inquiries and discussion on the reason for the transfer of professional engagement.

(h) Not put signages or notices on a property for sale, rent or lease if not authorized in writing by the client and shall not be placed on any property by more than one licensed Real Estate Broker.

# ECOLOGY IN REAL ESTATE

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## CHAPTER 15



**Ecology** – study of the relations that living organisms have with respect to each other and their natural environment. Variables of interest to ecologists include the composition, distribution, amount (biomass), number and changing states of organisms within and among ecosystems.

**The three basic ways organisms get food are as producers, consumers and decomposers.**

1. **Producers** (autotrophs) are typically plants or algae. Plants and algae do not usually eat other organisms but pull nutrients from the soil or the ocean and manufacture their own food using photosynthesis. For this reason, they are called primary producers. In this way, it is energy from the sun that usually powers the base of the food chain. An exception occurs in deepsea hydrothermal ecosystems, where there is no sunlight. Here primary producers manufacture food through a process called chemosynthesis.
2. **Consumers** (heterotrophs) are animals which cannot manufacture their own food and need to consume other organisms. Animal that eat primary producers (like plants) are called herbivores. Animals that eat other animals are called carnivores and animals that eat both plant and other animals are called omnivores.
3. **Decomposers** (detritivores) break down dead plant and animal material and wastes and release it again as energy and nutrients into the ecosystem for recycling. Decomposers, such as bacteria and fungi (mushrooms), feed on waste and dead matter, converting it into inorganic chemicals that can be recycled as mineral nutrients for plants to use again.

### **Keystone Species**

species that is disproportionately connected to more species in the foodweb. Keystone species have lower levels of biomass in the trophic pyramid relative to the importance of their role. The many connections that a keystone species holds signify that it maintains the organization and structure of entire communities. The loss of a keystone species results in a range of dramatic cascading effects that alters trophic dynamics, other foodweb connections and can cause the extinction of other species in the community.

### **DENR Administrative Order No. 9637 Series of 1996**

#### **Subject:**

Revising DENR Administrative Order No. 21, Series of 1992, to Further Strengthen the Implementation of the Environmental Impact Statement (EIS) System

#### **Basic Policy:**

To attain and maintain an orderly balance between socioeconomic growth and environmental protection through the sustainable use, development, management, renewal and conservation of the country's natural resources.

### Objectives

1. Ensure that environmental considerations are incorporated at the earliest possible stage of project development.
2. Further streamline the current procedures in the conduct of the Environmental Impact Assessment (EIA) in order to improve its effectiveness as a planning, regulatory and management tool.
3. Enhance maximum public participation in the EIA process to validate the social acceptability of the project or undertaking so as to ensure the fullest consideration of the environmental impact of such project or undertaking.

### Definition of Terms

#### **Environmental Compliance Certificate (ECC)**

The document issued by the DENR Secretary or the Regional Executive Director certifying that based on the representations of the proponent and the preparers, as reposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System, and that the proponent is committed to implement its approved Environmental Management Plan in the Environmental Impact Statement or mitigation measures in the Initial Environmental Examination.

#### **Environmentally Critical Area (ECA)**

an area that is environmentally sensitive.

**Environmentally Critical Project (ECP)** – a project that has high potential for significant negative environmental impact.

**Environmental Impacts** the probable effects or consequences of proposed projects or undertakings on the physical, biological and socioeconomic environment that can be direct or indirect, cumulative and positive or negative.

**Environmental Impact Assessment (EIA)** – the process of predicting the likely environmental consequences of implementing projects or undertakings and designing appropriate, preventive, mitigating and enhancement measures.

## REFERENCES

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**Image Source:**

<http://www.pixabay.com>

**Reviewer Resource:**

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TELL US WHAT YOU THINK

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