



HOUSE OF REPRESENTATIVES

H. No. 187

BY REPRESENTATIVES BRAVO (A.), CANAMA, RELAMPAGOS, SAVELLANO, CASILAO, GARBIN, CUARESMA, LAGMAN, SALON, SAGARBARRIA, GONZALEZ, DE VENECIA, ANTONIO, ESPINO, BATOCABE AND MONTORO

AN ACT PROVIDING FOR THE RESTRUCTURING AND CONDONATION OF UNPAID INTERESTS, PENALTIES, AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLK AND AGRARIAN REFORM BENEFICIARIES FROM THE DEPARTMENT OF AGRARIAN REFORM (DAR), THE DEPARTMENT OF AGRICULTURE (DA), THE PEOPLE'S CREDIT AND FINANCE CORPORATION (PCFC), THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA), THE NATIONAL FOOD AUTHORITY (NFA) AND THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION (QUEDANCOR)

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. *Short Title.* – This Act shall be known as the “Agrarian
2 and Agricultural Loan Restructuring and Condonation Act”.

3 SEC. 2. *Declaration of Policy.* – The State shall promote
4 comprehensive rural development and agrarian reform through the provision
5 of measures that will release farmers, fisherfolk and agrarian reform
6 beneficiaries from the bondage of debt. Towards this end, it shall be the
7 objective of the State to provide farmers, fisherfolk and agrarian reform
8 beneficiaries the opportunity to regain access to government and commercial

1 credit facilities through the condonation of unpaid interests, penalties and
2 surcharges on their existing loans obtained through government lending
3 programs.

4 SEC. 3. *Definition of Terms.* – As used in this Act:

5 (a) *Agrarian reform beneficiaries* refer to farmers who were
6 granted lands under Presidential Decree No. 27, known as the “Emancipation
7 of Tenants and Transfer of Ownership of Land Act” and Republic Act
8 No. 6657, known as the “Comprehensive Agrarian Reform Law of 1988”, as
9 amended, and other existing agrarian reform laws. These include regular
10 farm workers, irrespective of tenurial arrangement who benefited from the
11 redistribution of lands, including their organizations and cooperatives which
12 have availed of the credit programs enumerated in Section 5 hereof;

13 (b) *Agricultural and agrarian reform credit* refers to loans granted for
14 agricultural production; promotion of agricultural business and exports
15 including, but not limited to, the acquisition of work animals; farm equipment
16 and machinery; seeds; fertilizers; poultry; livestock; feeds and other similar
17 items; acquisition of lands authorized under the Agrarian Reform Code of the
18 Philippines and its amendments; construction, acquisition and repair of
19 agricultural facilities;

20 (c) *Condonation* refers to the relief granted by law in the payment of
21 unpaid interests, penalties and surcharges;

22 (d) *Delinquent borrower* refers to a borrower with at least three (3)
23 consecutive unpaid amortizations or whose total unpaid amortization reaches
24 twenty percent (20%) of the total outstanding balance of the loan regardless of
25 the number of unpaid amortizations as of the effectivity of this Act;

26 (e) *Farmer* refers to any natural person whose primary livelihood is
27 cultivation of land or the production of agricultural crops, livestock and
28 agricultural products, either by himself or primarily with the assistance of his

1 immediate farm household or workers, whether the land is owned by him or by
2 another person, under a leasehold agreement or other similar arrangements;

3 (f) *Fisherfolk* refers to people directly or personally and physically
4 engaged in taking and/or culturing and processing fishery and/or aquatic
5 resources;

6 (g) *Force majeure* refers to events whether natural or political,
7 beyond the reasonable control of a loan borrower, which have a material
8 adverse effect on the ability of the borrower to pay an obligation;

9 (h) *Market aberrations* refer to unusual adverse movements in market
10 prices which have detrimental effects on the yield and income of farmers,
11 fisherfolk and agrarian reform beneficiaries;

12 (i) *Loan restructuring* refers to a process where the principal terms
13 and conditions of the original loan are modified in accordance with an
14 agreement setting forth a new plan or schedule of payment; and

15 (j) *Terminated lending programs* refer to lending programs instituted
16 by the government which are no longer existing and operational yet with
17 intractable records of loans.

18 SEC. 4. *Condonation*. – All unpaid interests, penalties and surcharges
19 of agricultural and agrarian reform credit secured by farmers, fisherfolk and
20 agrarian reform beneficiaries from the Department of Agrarian Reform
21 (DAR), the Department of Agriculture (DA), the People's Credit and Finance
22 Corporation (PCFC), the Cooperative Development Authority (CDA), the
23 National Food Authority (NFA), and the Quedan and Rural Credit Guarantee
24 Corporation (QUEDANCOR) prior to the effectivity of this Act are hereby
25 condoned upon approval of the application for condonation of a borrower
26 qualified under this Act: *Provided*, That the bases for the condonation shall be
27 limited to *force majeure* or market aberration and shall, in no case, be applied
28 for the willful default of the borrower to pay such loans: *Provided, further*,
29 That accumulated payments of not less than five percent (5%) of the loan

1 principal shall have been paid at the time of application for condonation:
2 *Provided, furthermore*, That, to encourage borrowing discipline and enhance
3 credit worthiness, a graduation process shall be followed in consonance with
4 the plan of payment such that a borrower shall be granted a one-time
5 condonation only: *Provided, finally*, That the condonation of unpaid interests,
6 penalties and surcharges from loans acquired through conduit banks and
7 financial institutions and the agencies mentioned above shall be in conformity
8 with the applicable general banking laws and regulations of the Bangko
9 Sentral ng Pilipinas (BSP).

10 SEC. 5. *Coverage*. – The following accounts are covered by the
11 condonation program:

12 (a) Agricultural and Agrarian Reform credit secured through the
13 Credit Assistance Program – Program Beneficiaries Development of the DAR;

14 (b) Agricultural and Agrarian Reform credit secured through the
15 terminated credit program schemes of the DAR, such as the Dutch Rural
16 Development Assistance Program (DRDAP), DAR Direct Lending Financing
17 Program (DDLFP), DAR Special Projects Office (SPO) Direct, and the SPO
18 Window III Financing Program for Agrarian Reform Beneficiaries of the DAR
19 and the Development Bank of the Philippines;

20 (c) Resettlement Loan Assistance Program of the DAR for individual
21 agrarian reform beneficiaries;

22 (d) Agricultural credit secured through the High Yield Crop Loan
23 Assistance Program of the DA;

24 (e) Agricultural credit secured through Microfinance Program for
25 Small Farmers and Fisherfolk and the Household of the PCFC;

26 (f) Cooperative Development Loan Fund of the CDA;

27 (g) Farmers Level Grain Center of the NFA; and

1 (h) Comprehensive Agrarian Reform Program-Barangay Marketing
2 Center (CARP-BMC) and all agri-credit guarantee programs of the
3 QUEDANCOR.

4 SEC. 6. *Qualified Beneficiaries.* – Delinquent farmers, fisherfolk or
5 agrarian reform beneficiaries and agrarian reform beneficiary organizations
6 who secured agricultural and agrarian reform credit under any of the accounts
7 enumerated in Section 5 of this Act and who are delinquent borrowers may
8 apply for condonation of unpaid interests, penalties and surcharges with the
9 concerned government agency or corporation.

10 SEC. 7. *Approval of Application for Condonation.* – The government
11 agency or corporation managing the accounts enumerated in Section 5 hereof
12 shall review and approve an application for condonation and loan
13 restructuring. The period for payment of the restructured loan shall be
14 determined according to the financial capacity of the farmers, fisherfolk and
15 agrarian reform beneficiaries upon the approval of the application. The
16 approval of the application for condonation shall serve as the basis for the
17 concerned government agency/corporation to write-off the unpaid interests,
18 penalties and surcharges condoned.

19 SEC. 8. *Collection of Payment.* – The annual collection from
20 payments of loans under the terminated credit programs as provided in Section
21 5(b) of this Act shall be remitted to the Bureau of Treasury under the Agrarian
22 Reform Fund.

23 SEC. 9. *Restoration of Non-performing Loans to Status of Good*
24 *Standing.* – Loans restructured under this Act shall be restored to status of
25 good standing upon three (3) consecutive payments by the borrower of the
26 required periodic amortizations under the restructured loan. Government
27 agencies may issue the appropriate certifications to the borrower upon
28 satisfaction of the said condition, thereby facilitating their reintegration into

1 the financial and banking system by allowing them access to government and
2 private credit programs.

3 SEC. 10. *Write-off of Loans from the Books of Terminated Lending*
4 *Programs.* – The concerned agencies shall write-off from their books the
5 loans of borrowers of the terminated lending programs: *Provided,* That the
6 programs are clearly identified, and the accounts involved are past due. The
7 procedure for the writing-off of loans from the books of terminated lending
8 programs shall be provided in the implementing rules and regulations of this
9 Act.

10 SEC. 11. *Implementing Rules and Regulations (IRR).* – Within sixty
11 (60) days from the effectivity of this Act, the Secretary of the Department of
12 Agrarian Reform, in consultation with the secretaries and heads of offices of
13 the DA, CDA, PCFC, the Agriculture Credit Policy Council (ACPC) and the
14 BSP, shall promulgate the implementing rules and regulations for the effective
15 implementation of this Act.

16 SEC. 12. *Separability Clause.* – If any provision of this Act is
17 declared unconstitutional, the remainder of this Act or any provision not
18 affected thereby shall remain in full force and effect.

19 SEC. 13. *Repealing Clause.* – All laws, executive orders, issuances
20 or parts thereof inconsistent with the provisions of this Act are hereby
21 amended, repealed and modified accordingly.

22 SEC. 14. *Effectivity.* – This Act shall take effect fifteen (15) days
23 after its publication in the *Official Gazette* or in a newspaper of general
24 circulation.

Approved,

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