



HOUSE OF REPRESENTATIVES

H. No. 6561

BY REPRESENTATIVES TEVES, PAEZ, PING-AY, GUANLAO, LAPUS,
PANGANDAMAN (N.), MARIANO, OBILLO, SY-ALVARADO, GONZALEZ,
ARENAS, GOLEZ (R.), LICO AND YAP (A.), PER COMMITTEE
REPORT NO. 2398

AN ACT PROVIDING FOR THE CONDONATION OF UNPAID INTERESTS, PENALTIES AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLKS 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. *Title.* – This Act shall be known as the “Agrarian and
2 Agricultural Credit Condonation Act of 2012”.

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, fisherfolks and agrarian reform
6 beneficiaries from their bondage to debts. Towards this end, it shall be the

1 objective of the State to provide farmers, fisherfolks and agrarian reform
2 beneficiaries the opportunity to regain access to government and commercial
3 credit facilities through the condonation of unpaid interests, penalties and
4 surcharges on their existing loans obtained through government lending
5 programs and their eventual restructuring.

6 SEC. 3. *Definition of Terms.* – For the purpose of this Act, the
7 following terms shall be defined as follows:

8 (a) *Agrarian reform beneficiaries* refer to farmers who were granted
9 lands under Presidential Decree No. 27, known as the Comprehensive
10 Agrarian Reform Law and Republic Act No. 9700 or the Comprehensive
11 Agrarian Reform Law Extension with Reforms, and other existing agrarian
12 reform laws and regular farmworkers, irrespective of tenurial arrangement who
13 benefited from the redistribution of lands.

14 (b) *Agricultural and agrarian reform credit* refers to loan activities
15 and purposes including, but not limited to, agricultural production; promotion
16 of agribusiness and exports; acquisition of work animals, farm equipment and
17 machinery, seeds, fertilizers, poultry, livestock, feeds and other similar items;
18 construction, acquisition and repair of facilities for production, processing,
19 storage and marketing, and such other facilities in support of agricultural and
20 farm commodities.

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

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

27 (e) *Farmer* refers to any natural person whose primary livelihood is the
28 cultivation of land or the production of agricultural crops, livestock and

1 agricultural products, either by himself or primarily with the assistance of his
2 immediate farm household or workers, whether the land is owned by him or by
3 another person, under a leasehold agreement or other similar arrangements.

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

7 (g) *Force majeure* refers to events whether natural or political, beyond
8 the reasonable control and incurred not as a result of the negligence or willful
9 act of the delinquent borrower, which has a material adverse effect on
10 his/her ability to pay its obligation.

11 (h) *Market aberrations* refer to unusual adverse movements in market
12 prices which have detrimental effects on the yield and income of farmers,
13 fisherfolks and agrarian reform beneficiaries.

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

17 SEC. 4. *Condonation*. – All unpaid interests, penalties and surcharges
18 of agricultural and agrarian reform credit secured by farmers, fisherfolks and
19 agrarian reform beneficiaries from the Department of Agrarian Reform (DAR),
20 the Department of Agriculture (DA), the People's Credit and Finance
21 Corporation (PCFC), the Cooperative Development Authority (CDA), the
22 National Food Authority (NFA), and the Quedan and Rural Credit Guarantee
23 Corporation (QUEDANCOR) prior to the effectivity of this Act are hereby
24 condoned upon approval of the application for condonation of a borrower
25 qualified under this Act: *Provided*, That the basis for the condonation shall be
26 limited to *force majeure* or market aberration and shall, in no case, be applied
27 for the willful default of the borrower to pay such loans: *Provided, further*,
28 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 only be granted a one-time
5 condonation: *Provided, finally,* That the condonation of unpaid interests,
6 penalties and surcharges from loans acquired through conduit banks and
7 financial institutions shall be in conformity with the applicable general banking
8 laws and regulations of the Bangko Sentral ng Pilipinas (BSP).

9 SEC. 5. *Coverage of Condonation Program.* – The following accounts
10 are covered by the condonation program:

11 (a) Agricultural and agrarian reform credit secured through the Credit
12 Assistance Program – Program Beneficiaries Development of the DAR;

13 (b) Agricultural and agrarian reform credit secured through the
14 terminated credit program schemes of the DAR, i.e., Dutch Rural
15 Development Assistance Programme (DRDAP); DAR Direct Lending
16 Financing Program (DDLFP); DAR Special Projects Office (SPO) Direct; and
17 DAR-DBP SPO Window III Financing Program for agrarian reform
18 beneficiaries;

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

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

23 (e) Agricultural credit secured through Microfinance Program for
24 small farmers and fisherfolks and the household of the PCFC;

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

26 (g) Farmers Level Green Center of the NFA; and

27 (h) CARP-Barangay Marketing Center (CARP-BMC) of the
28 QUEDANCOR.

1 SEC. 6. *Qualified Beneficiaries.* – Delinquent farmers, fisherfolks or
2 agrarian reform beneficiaries who secured agricultural and agrarian reform
3 credit under any of the accounts enumerated in Section 5 of this Act may apply
4 for condonation of unpaid interests, penalties and surcharges with the
5 concerned government agency or corporation.

6 SEC. 7. *Approval of Applications for the Condonation of Unpaid*
7 *Interests, Penalties and Surcharges, and Loan Restructuring.* – The
8 government agency or corporation managing the accounts enumerated in
9 Section 5 hereof shall review and approve an application for condonation and
10 restructuring of the loan balance. The period for payment of the restructured
11 loan shall be determined according to the financial capacity of the farmers,
12 fisherfolks and agrarian reform beneficiaries upon the approval of the
13 application. The approval of the application for condonation shall serve as the
14 basis for the concerned government agency/corporation to write-off the unpaid
15 interests, penalties and surcharges condoned.

16 SEC. 8. *Collection of Payments.* – The annual collection from
17 payments of loans under Section 5(b) by the Task Force Collection shall be
18 remitted to the Bureau of Treasury and held as trust fund to be called the
19 Agrarian Reform Fund.

20 SEC. 9. *Restoration of Nonperforming Loans to Performing Status.* –
21 Loans restructured under the implementation of this Act shall be restored to
22 performing status or status of good standing upon three (3) consecutive
23 payments by the borrower of the required periodic amortizations. Government
24 agencies may issue the appropriate certifications to the borrower upon
25 satisfaction of the said condition, thereby facilitating their reintegration into
26 the financial and banking system by allowing them to access new and
27 additional credit and other government programs.

1 SEC. 10. *Implementing Rules and Regulations (IRR)*. – The DAR, the
2 DA, the PCFC, the Agricultural Credit Policy Council (ACPC) and the BSP
3 are hereby directed to issue the IRR of this Act within sixty (60) days after its
4 effectivity.

5 SEC. 11. *Separability Clause*. – If, for any reason, any section or
6 provision of this Act shall be held unconstitutional or invalid by a competent
7 authority, no other section, provision or part hereof shall be affected and the
8 same shall remain in full force and effect.

9 SEC. 12. *Repealing Clause*. – Section 36 of Presidential Decree
10 No. 1445, all other laws, executive orders, issuances or parts thereof
11 inconsistent with the provisions of this Act are hereby amended, repealed and
12 modified accordingly.

13 SEC. 13. *Effectivity Clause*. – This Act shall take effect fifteen (15)
14 days following its publication in the *Official Gazette* or in at least two (2)
15 newspapers of general circulation.

Approved,

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