



HOUSE OF REPRESENTATIVES

H. No. 4179

BY REPRESENTATIVES PAEZ, BRAVO (A.), BAGULAT,
GUANLAO, LAGDAMEO (A.), GARCIA (G.), FORTUNO, AGYAO,
DELA CRUZ, BAG-AO, VILLANUEVA, CUEVA, MACROHON-NUÑO,
HATAMAN-SALLIMAN, BELLO (W.), RIDON, ZARATE,
ANTONINO-NADRES, TINIO, COLMENARES, RODRIGUEZ (M.),
VILLARICA, CO, BATOCABE, ABELLANOSA AND ROMUALDO, PER
COMMITTEE REPORT NO. 161

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 of
5 measures that will release farmers, fisherfolk and agrarian reform beneficiaries

1 from the bondage of debt. Towards this end, it shall be the objective of the
2 State to provide farmers, fisherfolk and agrarian reform beneficiaries the
3 opportunity to regain access to government and commercial credit facilities
4 through the condonation of unpaid interests, penalties and surcharges on their
5 existing loans obtained through government lending programs.

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

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

15 (b) *Agricultural and agrarian reform credit* refers to loans granted for
16 agricultural production, promotion of agricultural business and exports
17 including, but not limited to, the acquisition of work animals, farm equipment
18 and machinery, seeds, fertilizers, poultry, livestock, feeds construction,
19 acquisition and repair of 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 the 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 amortization 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, beyond
7 the reasonable control of a loan borrower, which have a material adverse effect
8 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 and
13 conditions of the original loan are modified in accordance with an agreement
14 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 (DAR),
21 the Department of Agriculture (DA), the People’s Credit Finance Corporation
22 (PCFC), the Cooperative Development Authority (CDA), the National Food
23 Authority (NFA) and the Quedan and Rural Credit Guarantee Corporation
24 (QUEDANCOR) prior to the effectivity of this Act are hereby condoned upon
25 approval of the application for condonation of a borrower qualified under this
26 Act: *Provided,* That the bases for the condonation shall be limited to *force*
27 *majeure* or market aberration and shall in no case be applied for the willful
28 default of the borrower to pay such loans: *Provided, further,* That accumulated

1 payments of not less than five percent (5%) of the loan principal shall have
2 been paid at the time of application for condonation: *Provided, furthermore,*
3 That to encourage borrowing discipline and enhance credit worthiness, a
4 graduation process shall be followed in consonance with the plan of payment
5 such that a borrower shall be granted a one-time condonation only: *Provided,*
6 *finally,* That the condonation of unpaid interests, penalties and surcharges from
7 loans acquired through conduit banks and financial institutions and the
8 agencies mentioned above shall be in conformity with the applicable general
9 banking laws and regulations of the Bangko 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 Credit
13 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), the DAR Direct Lending
17 Financing Program (DDLFP), the DAR Special Projects Office (SPO) Direct,
18 and the SPO Window III Financing Program for agrarian reform beneficiaries
19 of the DAR and the Development Bank of the Philippines (DBP);

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 the 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
3 QUEDANCOR.

4 SEC. 6. *Qualified Beneficiaries.* – Farmers, fisherfolk or agrarian
5 reform beneficiaries and agrarian reform beneficiary organizations who
6 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 (BOT) under the
22 Agrarian 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 the

1 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 the terminated lending
8 programs shall be provided for in the implementing rules and regulations (IRR)
9 of this Act.

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

15 SEC. 12. *Repealing Clause.* -- All laws, executive orders, issuances or
16 parts thereof inconsistent with the provisions of this Act are hereby amended,
17 repealed or modified accordingly.

18 SEC. 13. *Separability Clause.* -- If any provision of this Act is
19 declared unconstitutional, the remainder of this Act or any provision not
20 affected thereby shall remain in full force and effect.

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

Approved,