

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

House Bill No. **3260**

Introduced by **HONORABLE JEFFREY P. FERRER**

EXPLANATORY NOTE

Agricultural credit is an important stimulus for the development of the agriculture sector and the economy. It is a preferential strategy to bring about economic activity in the countryside and bring about positive changes in the life of the farmer and workers in the agricultural sector the result of which has a direct impact on the sustainable growth of our economy.

This bill therefore seeks to introduce reforms in agricultural finance and rural credit at the same time address the much needed support services required by agrarian reform beneficiaries as a consequence of the comprehensive agrarian reform law. It is also aimed at promoting competition and growth among bank and non-bank financial institutions serving the rural financial market in a more stable financial environment and will vigorously mobilize capital resources towards the countryside.

Further, this measure seeks to introduce more efficiency in rural financial credit, eliminate excess demand for credit and induce banks and non-banks to be more effective in their intermediation functions to promote a market oriented policy in extending financial services to the most important sector in our economy.

The immediate approval of this bill is therefore recommended.


JEFFREY P. FERRER
4th District of Negros Occidental

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“AN ACT PROVIDING FARMERS AND AGRARIAN REFORM BENEFICIARIES GREATER ACCESS TO AGRICULTURAL CREDIT ESTABLISHING A POLICY FOR ITS IMPLEMENTATION AND FOR OTHER PURPOSES”

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

SECTION 1. Title. *-This Act shall be known as the “AGRICULTURAL CREDIT ENHANCEMENT ACT OF 2010.”*

SEC. 2. Declaration of Policy. *-It is hereby declared the policy of the State to promote the modernization and rapid expansion of the agricultural sector by enhancing improve access to financial credit for farmers and agrarian reform beneficiaries by extending low interest and subsidized credit schemes that will ensure productivity, adequate food supply and address the food security requirements of the country.*

The National Government shall guaranty protection and provide low cost credit to Farmers, workers of the Agricultural Sector and Agrarian Reform Beneficiaries (ARBS) offer them the opportunity to develop and progress in an environment of financial stability and sustainable development in order to achieve social justice, equity and equal protection of law under the constitution.

SEC. 3. Indefeasibility of EP/CLOA Titles. *-Emancipation Patents (EPs) and Certificates of Land Ownership Award (CLOAs), shall enjoy the same indefeasibility and security afforded to all titles as provided under Presidential Decree (P.D.) No. 1529. For this purpose, farmer beneficiaries who receive EPs or CLOAs pursuant to the Comprehensive Agrarian Reform Program are hereby deemed innocent purchaser for value and are entitled to the rights and protection as such persons under existing laws.*

SEC.4. Coverage. *-This Act shall apply to the following categories of agricultural lands:*

4.1 *Lands with agricultural lessees, whether or not it has been the subject of the landowner's prior exercise of retention rights granted by law, without prejudice to the rights of the agricultural lessee;*

4.2 *Lands covered and fully paid under the Comprehensive Agrarian Reform Program (CARP) and past the 10-year prohibition period;*

4.3 *Lands covered by homestead grants and free-patents;*

4.4 *Lands covered by the CARP but not yet fully paid and are either within or past the 10-year prohibition period;*

4.5 *Lands covered and fully paid under the CARP but still within the 10-year prohibition period.*

SEC. 5. Acceptability of Homestead Patents, Agricultural Leasehold, EP, CLOA, Titles as Loan Collateral and Guarantee. *-All agricultural lands enumerated under Section 4 of this Act shall be accepted as collateral by any government or private financial institution, whether bank or non-bank financial institution, to secure loans of registered owners in the Certificate of Land Ownership Award, Emancipation Patent, Homestead Patent, Free Patent, Original Certificate of Title or Transfer Certificate of Title.*

SEC. 6. Use of Loan Proceeds. *-The proceeds of loans that may be granted under this Act shall be used solely to finance any agricultural activities such as production, processing, storage and post-harvest facilities, shallow tube well and pump irrigation, distribution and marketing of agricultural products, and other related agricultural activities on the land being used as collateral.*

SEC. 7. Land Bank Authorization of the Loan and Additional Requirements. *-All loans that are to be granted by lending institutions are deemed to be automatically approved with authorization and consent of the Land Bank of the Philippines (LBP) and the Department of Agrarian Reform (DAR) provided that any or all prior encumbrance existing in favor of the LBP shall be respected.*

SEC. 8. DAR and LBP Land Valuation for Credit. *-The DAR and LBP shall undertake a policy of releasing information and data of the valuation formula and provide mandatory technical assistance to bank and non-bank financial institutions requiring such information to aid them in determining the value of the lands offered as security by borrowers.*

SEC. 9. Guaranteed Access to Credit by DBP. *-Farmer-beneficiaries who are owners of encumbered or non-transferable lands classified under Sub-sections 4.4 and 4.5 and*

farmer-lessees shall be provided a credit guarantee by the Development Bank of the Philippines (DBP): Provided that the guarantee covers shall not exceed eighty percent (80%) of the principal amount of the loan. That all loans guaranteed by DBP pursuant to this Act, the principle of exclusion under Article 2058 and pertinent provisions of the New Civil Code shall not apply.

SEC. 10. Default and Foreclosure of Mortgage. – *In case of Default and Foreclosure of Mortgage, banks and non-bank financial institutions may proceed against the security of the loan in accordance with existing laws and subject to the following provisions of this Act: In cases of encumbered and non-transferable lands classified under Sub-sections 4.4 and 4.5, the bank and non-bank financial institutions shall be paid the guarantee only after assigning the loan receivables to the DBP after which the DBP shall assign the loan receivables to the LBP. In cases of mortgages of expected harvests of farmer-lessees, the DBP shall proceed to claim all or a portion of the actual harvests until the outstanding debt of the farmer-lessee shall have been paid.*

SEC. 11. Auctions of Agricultural Land. – *In all cases of foreclosed mortgages, no bidder in the auction shall be allowed to bid nor shall the agricultural land be sold to any person not qualified to own agricultural land as determined by the DAR in accordance with Sections 6 and 70 of R.A. No. 6657.*

SEC. 12. Exercise of Right of Redemption. – *the principal owner or agrarian reform beneficiary shall have the right to redeem the land inclusive of interest payments. The right of redemption under this section may be exercised within one (1) year from the date of registration of the sale, and shall have priority over any other Right of legal redemption.*

SEC. 13. Guarantee Fund. – *There is hereby created a Guarantee Fund for agricultural and agrarian borrowers with an amount of at least Five Billion Pesos (P5,000,000,000.00) which shall be managed and administered by DBP. An initial amount of One billion pesos (P 1,000,000,000.00) shall be sourced from fifty percent (50%) of the total funding allocation of the Comprehensive Agrarian Reform Program-Credit Guarantee Fund for Agricultural Landowners (CARP-CGFAL), Two Billion (P2,000,000,000.00) Pesos from the proceeds of the sales of the Assets Privatization Trust (APT), receipts from assets recovered by the Presidential Commission on Good Government (PCGG), and a portion of the twenty-five percent (25%) allocation for support services under Sec. 36 of R.A. No. 6657. of the total guarantee fund, Two Billion (P2,000,000,000.00) Pesos shall be sourced and included in the Annual General Appropriations Act*

SEC. 14. Exemption from Capital Gains Tax-

Any transaction of sale, transfer or conveyance of lands under this Act shall be exempt from the payment of capital gains tax, registration fees, and all other taxes and fees for the conveyance or transfer as provided for under Sections 66 and 67 of R.A. No. 6657.

SEC. 15. Simplification of Loan Procedures. -DAR, LBP, DA and DBP, in consultation with concerned government agencies, farmers, cooperatives and the banking sectors, shall formulate, within ninety (90) days after the approval of this Act, a simplified, efficient and practical procedure for processing and approving loan applications which would demand only the necessary and most indispensable requirements from the loan applicant.

SEC. 16. Penalties. -Failure of Banks and Non-Bank institutions to comply to the provisions of this act or provide the necessary credit service to client farmers and agrarian reform beneficiaries shall be sentence to a penalty of imprisonment of prision mayor and a fine of not less than Five hundred thousand pesos including the cancellation of their business licenses and permit to operate.

SEC. 17. Implementing Rules and Regulations (IRR). -The DAR, DA, DOF and LBP, in consultation with concerned government agencies, farmers, cooperatives and the banking sectors, shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after the publication in a newspaper of general circulation in the Philippines.

SEC.18. Repealing Clause. -All existing laws, Executive Orders, issuances, rules and regulations, inconsistent with the provisions of this Act are hereby repealed or modified accordingly,

SEC.19. Separability Clause. -In the event any of the provision of this Act is declared unconstitutional, the validity of the other provisions shall not be affected by said declaration.

SEC.20. Effectivity Clause. -This Act shall take effect immediately after publication in the Official Gazette or in at least two (2) national newspaper of general circulation.

Approved,