

Republic of the Philippines

House of Representatives
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 280



**Introduced by Honorable Cresente C. Paez and Honorable
Anthony M. Bravo**

EXPLANATORY NOTE

Countryside rural development is predominant and more pronounced by the programs of the Department of Agriculture and the Department of Agrarian Reform. These programs include the Credit Assistance Program – Program Beneficiaries Development Program and Credit Program Scheme of the Department of Agrarian Reform; and the Agricultural credit secured through Microfinance Program of the People's Credit and Finance Corporation.

A grand total of roughly P 3.7 billion inclusive of interest was released by all of these government agencies. Collections as of December 2011 amounted to P 1.3 billion which is 35 % of the total amount of the loan. It is for this reason that we take measures in order to apply leniency to this unpopular agrarian reform beneficiaries by condoning all interests, surcharges and other penalties from the commencement of the loan. Needless to say, all the payments made subsequent to the credit application shall be applied retroactively to the principal amount only.

It is to be noted that farmers and agrarian reform beneficiaries are not only entrepreneurs in bucolic areas but are also partners in the evolution of a better and brighter country. It is therefore imperative upon us to take an overwhelming care and attention by condoning these interests that burdened the debt.

It is for this reason that the approval of this bill be given an immediate positive response.

A handwritten signature in dark ink, featuring a large, stylized initial 'C' followed by a series of loops and a final horizontal stroke.

HON. CRESENTE C. PAEZ

A handwritten signature in dark ink, consisting of a series of vertical, parallel strokes that form a dense, rectangular shape, with a horizontal line crossing through the middle.

HON. ANTHONY M. BRAVO

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AN ACT PROVIDING FOR THE CONDONATION OF UNPAID INTERESTS, PENALTIES AND SURCHARGES ON LAONS 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 the House of Representatives of the Philippines in Congress assembled.

SECTION 1. Title - This Act shall be known as the “**Agrarian and Agricultural Credit Condonation Act of 2013**”

SECTION 2. Declaration of Policy – The State shall promote comprehensive rural development and agrarian reform through the provision of measures that will release farmers, fisherfolks and agrarian reform beneficiaries from their bondage to debts. Towards this end, it shall be the objective of the State to provide farmers, fisherfolks and agrarian reform beneficiaries the opportunity to regain access to government and commercial credit facilities through the condonation of unpaid interest, penalties and surcharges on their existing loans obtained through government lending programs and their eventual restructuring.

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

- (a) Agrarian reform beneficiaries refer to farmers who were granted lands under Presidential Decree No. 27, known as the Comprehensive Agrarian Reform Law and Republic Act No. 9700 or the Comprehensive Agrarian Reform Law Extension with Reforms, and other existing agrarian reforms and regular farmworkers, irrespective of tenurial arrangement who benefited from the redistribution of lands.
- (b) Agricultural and agrarian reform credits refer to loan activities and purposes including, but not limited to, agricultural production; promotion of agribusiness and exports; acquisition of work animals, farm equipment and machinery, seeds, fertilizers, poultry, livestock, feeds and other similar items; construction, acquisition and repair of facilities for production, processing, storage and marketing, and such other facilities in support of agricultural and farm commodities
- (c) Condonation refers to the relief granted by law in the payment of unpaid interests, penalties and surcharges
- (d) Delinquent borrower refers to borrower with at least three (3) consecutive unpaid amortizations or whose total unpaid amortizations reaches twenty percent (20%) of the total outstanding balance of the loan regardless of the number of unpaid amortizations as of the effectivity of this Act.
- (e) Farmer refers to any natural person whose primary livelihood is the cultivation of land or the production of agricultural crops, livestock and agricultural products, either by himself or primarily with the assistance of his immediate farm household or workers, whether the land is owned by him or by another person, under a leasehold agreement or other similar arrangements
- (f) Fisherfolk refers to people directly or personally and physically engaged in taking and/or culturing and processing fishery and/or aquatic resources.
- (g) Force majeure refers to events whether natural and political, beyond the reasonable control and incurred not as a result of the negligence or willful act of the delinquent borrower, which has a material adverse effect on his/her ability to pay its obligation.
- (h) Market aberrations refer to unusual adverse movements in market prices which have detrimental effects on the yield and income of farmers, fisherfolks and agrarian reform beneficiaries
- (i) Loan restructuring refers to a process where the principal terms and conditions of the original loan are modified in accordance with an agreement setting forth a new plan or schedule of payment

SECTION 4. *Condonation* – All unpaid interest, penalties and surcharges of agricultural and agrarian reform credit secured by farmers, fisherfolks and agrarian reform beneficiaries from the Department of Agrarian Reform (DAR), 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) prior to the effectivity of this Act are hereby condoned upon approval of the application for condonation of a borrower qualified under this Act: Provided, That the basis for the condonation shall be limited to *force majeure* or market aberration and shall, in no case, be applied for the willful default of the borrower to pay such loans: Provided, further, That accumulated payments of not less than five percent (5%) of the loan principal shall have been paid at the time of application for condonation: Provided, furthermore, That, to encourage borrowing discipline and enhance credit worthiness, a graduation process shall be followed in consonance with the plan of payment such that a borrower shall only be granted a one-time condonation: Provided finally, That the condonation of unpaid interests, penalties and surcharges from loans acquired through conduit banks and financial institutions shall be in conformity with the applicable general banking laws and regulations of the Bangko Sentral ng Pilipinas (BSP)

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

- (a) Agricultural and agrarian reform credit secured through the Credit Assistance Program – Program Beneficiaries Development of the DAR;
- (b) Agricultural and agrarian reform credit secured through the terminated credit program schemes of the DAR, i.e., Dutch Rural Development Assistance Programme (DRDAP); DAR Direct Lending Financing Program (DDLFP); DAR Special Projects Office (SPO) Direct; and DAR-DBP SPO Window III Financing Program for agrarian reform beneficiaries;
- (c) Resettlement Loan Assistance Program of the DAR for individual agrarian reform beneficiaries;
- (d) Agricultural credit secured through the High Yield Crop Loan Assistance Program of the DA
- (e) Agricultural credit secured through Microfinance Program for small farmers and fisherfolks and the household of the PCFC;
- (f) Cooperative Development Loan Fund of the CDA;

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

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

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

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

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

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

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

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

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

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

Approved,