

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Sixteenth Congress
1st Regular Session

House Bill No. 466



Introduced By
HON. AGAPITO H. GUANLAO

EXPLANATORY NOTE

This bill was filed before the 15th Congress as House Bill 6561 and passed the latter's 3rd Reading.

The condonation of unpaid interests, penalties and surcharges on loans secured by farmers, fisherfolk and Agrarian Reform Beneficiaries from the DAR, DA and other financial institutions as stipulated in the proposed measure provide for a clean bill of health for the farming sectors their organizations and associations, so that they could acquire for loans anew.

This provides small farmers and fisherfolk a "new leash on life" in terms of acquiring new loans or other support from government financial institutions. It is noteworthy that some loan and support programs administered by the subject agencies have gone through various circumstances, such as "poor programming", projects that were affected by natural and man-made disasters among others, had made difficult for the agricultural sectors to complete the prescribed program components.

This proposed measure remains relevant and important so as to ease the burgeoning effects of loans especially to small farmers and fisherfolk, thus the enactment of this bill is ardently sought for.


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AN ACT
PROVIDING FOR THE 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 (NAFA) 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:

- Section 1. Title. – This Act shall be known as the “*Agrarian and Agricultural 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 the farmers, fisherfolk and agrarian reform beneficiaries from their bondage to debt. Towards this end, it shall be the objective of the State to provide beneficiaries the opportunity to regain access to government and commercial credit facilities through the condonation of unpaid interests, 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 the Presidential Decree No. 27, known as the Comprehensive Agrarian Reform Law and Republic Act 9700 or the Comprehensive Agrarian Reform Law Extension with Reforms, and the other existing agrarian reform laws and regular farmworkers, irrespective of tenurial arrangement who benefitted from the redistribution of lands.
 - b. *Agricultural and agrarian reform credit* refers 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 the borrower with at least three (3) consecutive unpaid amortization or whose total unpaid amortization reaches 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 or 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, fisherfolk 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 interests, penalties and surcharges of agricultural and agrarian reform credit 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 Financing Corporation (PCFC), the National Food Authority (NFA), the Cooperative Development Authority (CDA), and the Quezon 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 (5%) percent 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 Program (DRDAP); DAR Direct Lending Financing Program (DDLFP); DAR Special Projects office (SPO) Direct; and DAR-DBP SPO Window III Finaciang Progra for Agrarian Reform Beneficiaries;
- c. Resettlement Loan Assistance Program of the DAR for individual agrarian reform beneficiary;
- d. Agricultural credit secured through the High Yield Crop Loan Assistance Program of the DA;
- e. Agricultural credit secured through the 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. CARTP-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 concern 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 account enumerated in Section 5 hereof shall review and approve an application for condonation and restructuring of the loan balance. The period of payment of the restructured shall be determined according to the financial capacity of the farmers, fisherfolk or 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 of payments 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 the Non-Performing Loans to Performing Status.* – Loans restructured under the implementation of this Act shall be restored to performing status of good standing upon three (3) consecutive payments by the borrower of the unpaid periodic amortizations. Government agencies may issue appropriate certifications to the borrowers upon satisfaction of the said condition, thereby facilitating the reintegration into the financial and banking system by allowing them to access new and additional credit and other government programs.

- Section 10. *Implementation 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 part 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,