

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

SIXTEENTH CONGRESS  
First Regular Session

House Bill No. 1388



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Introduced by Representatives  
DIOSDADO MACAPAGAL ARROYO and GLORIA MACAPAGAL ARROYO

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AN ACT  
AMENDING SECTIONS 27 AND 71 OF REPUBLIC ACT NO.  
6657, OTHERWISE KNOWN AS THE COMPREHENSIVE  
AGRARIAN REFORM LAW OF 1988 THEREBY LIFTING THE  
RESTRICTION ON THE RIGHT OF FARMER-BENEFICIARIES  
TO MORTGAGE AND/OR ENCUMBER THE LANDS AWARDED  
TO THEM UNDER THE COMPREHENSIVE AGRARIAN REFORM  
PROGRAM AND ALLOWING THE SUBMISSION OF THE  
CERTIFICATE OF LAND OWNERSHIP AWARD AS SUFFICIENT  
COLLATERAL FOR LOANS ENTERED INTO WITH BANKS  
AND/OR OTHER FINANCIAL INTERMEDIARIES

EXPLANATORY NOTE

Awarding farm workers title to the lands they till is a step towards achieving genuine land reform. Nevertheless, the country's experience with the implementation of the Comprehensive Agrarian Reform Law has shown that this approach does not fully secure our farm workers' livelihood and productivity. Indeed, many of them have found it difficult, if not, nearly impossible to maximize their shares due to deficient funding and the unavailability of credit.

Our government sought to address this problem by making credit more accessible through microfinance and other similar schemes. It has been noted, however, that credit accommodations extended under these programs are short-term and limited, and thus, unable to sustain our farm workers' pressing credit requirements. Therefore, if we truly intend to assist our farm workers obtain

useful credit, we should undertake steps to strengthen their capability to avail of long-term and commercial loans from banking and other financial institutions.

This proposal, though laudable in its objective, is not as simple since the Comprehensive Agrarian Reform Law, bars farm workers from using the lands awarded to them as collateral for any loan transaction. This prohibition effectively impairs their right to avail of credit from different sources and consequently limits their options.

Lifting these restrictions in the Comprehensive Agrarian Reform Law would be a welcome reprieve to our farm workers. Not only will this enhance their chances of gaining credit but it will also equip them with the necessary tools to improve their living conditions. Because of these overriding benefits, we ask our distinguished colleagues to work with us for the immediate passage of this Bill.



**DIOSDADO MACAPAGAL ARROYO**  
Second District, Camarines Sur



**GLORIA MACAPAGAL ARROYO**  
Second District, Pampanga

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

SECTION 1. Section 27 of Republic Act No. 6657, otherwise known as the  
Comprehensive Agrarian Reform Law of 1988 is hereby amended to read as  
follows:

“Section 27. *Transferability of Awarded Lands.* Lands  
acquired by beneficiaries under this Act may not be sold,  
transferred or conveyed except through hereditary succession, or to  
the government, or to the LBP, or to other qualified beneficiaries for  
a period of ten (10) years: *Provided, however,* That the children or  
the spouse of the transferor, shall have a right to repurchase the  
land from the government or LBP within a period of two (2) years.  
Due notice of the availability of the land shall be given by the LBP  
to the Barangay Agrarian Reform Committee (BARC) of the

barangay where the land is situated. The Provincial Agrarian Reform Coordinating Committee (PARCCOM) as herein provided, shall in turn, be given due notice thereof by the BARC.

If the land has not yet been fully paid by the beneficiary, the rights to the land may be transferred or conveyed, with prior approval of the DAR, to any heir of the beneficiary or to any other beneficiary who, as a condition for such transfer or conveyance, shall cultivate the land himself. Failing compliance herewith, the land shall be transferred to the LBP which shall give due notice of the availability of the land in the manner specified in the immediately preceding paragraph.

In the event of such transfer to the LBP, the latter shall compensate the beneficiary in one lump sum for the amounts the latter has already paid, together with the value of improvements he has made on the land.

NOTWITHSTANDING THE FOREGOING, AND SUBJECT TO THE MORTGAGE LIEN OF THE LBP AS PROVIDED BY SECTION 26 OF THIS ACT, ANY FARMER BENEFICIARY, REGARDLESS OF WHETHER OR NOT S/HE HAS FULLY PAID THE VALUE OF THE LAND AWARDED TO HIM/HER MAY MORTGAGE THE SAME TO ANY PERSON, BANK OR OTHER FINANCIAL INSTITUTION, *PROVIDED*, THAT THE PROCEEDS OF ANY LOAN OBTAINED SHALL BE EXCLUSIVELY DEVOTED FOR THE IMPROVEMENT AND/OR DEVELOPMENT OF THE LAND AWARDED OR THE PROCUREMENT OF THE NECESSARY AGRICULTURAL INPUTS AND ESTABLISHMENT OF FACILITIES WHICH WILL ENHANCE THE PRODUCTION, PROCESSING OR MARKETING OF AGRICULTURAL PRODUCTS OR INCREASE FARM PRODUCTIVITY AND INCOME.

FOR THIS PURPOSE, ANY DOCUMENT OF TITLE EVIDENCING THE RIGHT OF THE FARMER BENEFICIARY TO THE LAND AWARDED WHICH MAY ISSUED BY THE DEPARTMENT OF AGRARIAN REFORM SHALL BE CONSIDERED AS *PRIMA FACIE* PROOF OF THE FARMER-BENEFICIARY'S TITLE OVER THE PROPOERTY MORTGAGED.

SECTION 2. Section 71 of Republic Act No. 6657 is hereby amended to read as follows:

"Section 71. *Bank Mortgages*. IN ADDITION TO banks and other financial institutions allowed by law to hold mortgage rights or

security interests in agricultural lands to secure loans and other obligations of borrowers, ANY PERSON, BANK OR FINANCIAL INSTITUTION WHO ACQUIRES A MORTGAGE LIEN OVER THE LAND AWARDED UNDER SECTION 27 HEREOF, may acquire title to these mortgaged properties, regardless of area, subject to existing laws on compulsory transfer of foreclosed assets and acquisition as prescribed under Section 16 of this Act.

SECTION 3. The Department of Agrarian Reform shall issue the necessary implementing rules and regulations to implement the provisions of this Act within one hundred twenty (120) days from its enactment.

SECTION 4. Any portion or provision of this Act that may be declared unconstitutional or invalid shall not have the effect of nullifying other portions and provisions hereof as long as such remaining portion or provision can still subsist and be given effect in their entirety.

SECTION 5. All laws, decrees, executive orders, proclamations and administrative regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SECTION 6. This Act shall take effect fifteen (15) days after its publication in at least two (2) national papers of general circulation.

*Approved,*