



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

House Bill No. 231



Introduced by Representative **GERALDINE B. ROMAN**

EXPLANATORY NOTE

This is a companion bill to the 2020 Anti-Usury Bill.

Given that the COVID-19 pandemic has resulted in economic dislocation for many, more and more individuals obtain needed funds from loan sharks who demand excessive interests for loans. Regulating interest rates through anti-usury legislation is just one half of the solution. The other half involves giving borrowers alternative sources of funding that are accessible and do not charge unconscionable interest rates. Sadly, the proliferation of online lending applications has not helped because they too charge usurious rates, in addition to steep processing fees, while encouraging borrowers to maintain a balance by only requiring minimum monthly payments.

In order to protect borrowers from predatory lending practices, the government, Land Bank, and Development Bank of the Philippines should “develop a far more viable and humane lending system that is Barangay based rather than such impersonal On-line loans.”¹ “People know each other in their Barangays, there is some semblance of a social support system and a barangay based lending system would truly be more inclusive and less oppressive.”²

Together with the Anti-Usury Bill, it is hoped that this bill would help individual borrowers survive and not add to the economic hardship imposed by the COVID-19 pandemic.

¹Beltran, C. (2019, July 15). *The curse of usury*. The Philippine Star.
<https://www.philstar.com/opinion/2019/07/15/1934714/curse-usury>

²*Id.*

Immediate passage of this bill is earnestly sought.


GERALDINE B. ROMAN



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EIGHTEENTH CONGRESS
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Introduced by Representative **GERALDINE B. ROMAN**

AN ACT
ESTABLISHING A BARANGAY MICROFINANCE SYSTEM, AND
APPROPRIATING FUNDS THEREOF

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

SECTION 1. *Short Title.* – This Act shall be known as the “Barangay Microfinance Cooperative Act”.

SEC. 2. *Declaration of Policies.* – It is hereby declared the policy of the State to pursue a program of poverty eradication where marginalized Filipinos and members of the informal economy shall be encouraged to undertake and scale up entrepreneurial activities to meet their basic needs including income security. Towards this end, the State recognizes the importance of facilitating easy and efficient access to necessary funds and credits for such entrepreneurial activities.

SEC. 3. *Barangay Microfinance Cooperative.* - One or more Barangay Microfinance Cooperative (BMC) may be established in each barangay, managed and owned by residents therein. As a special kind of cooperative, duly registered with the Cooperative Development Authority (CDA), a BMC shall abide by, and operate within the core principles of cooperativism. The barangay shall provide office space, when necessary, for all BMCs in its jurisdiction, free of charge. The

number of BMCs that may be established in each barangay shall be determined by socio-economic parameters defined in the IRR.

SEC. 4. *Powers, Functions, and Limitations of a BMC.* – A BMC shall, upon registration with the CDA:

a) be given juridical personality separate from its members, with the limited purpose of lending or giving credit to its own members with jurisdiction and scope of operation limited to its barangay, except as provided in Sec. 11 hereof;

b) collect compulsory savings from its members for the sole purpose of maintaining the compensating balance in relation to the same member's loan, in accordance with R.A. No. 9520, otherwise known as the "Philippine Cooperative Code of 2008", and as defined in the IRR;

c) regularly distribute its income to its members, and as such, its total assets, inclusive of the share capital of the members, shall be within the limits set in the IRR taking into consideration the limited operations and functions of the BMC, its location, membership, and other economic parameters, but in no case shall be more than Three million pesos (P3,000,000.00): *Provided*, That this will be subject to the adjustment of the definition of micro enterprises as provided for in Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for Micro, Small and Medium Enterprises";

d) exercise its powers and functions impartially, without regard to the political interests or affiliations of its members, and shall not, at any time, undertake deposit-taking activities, and shall not be allowed to own real properties of any kind; and

e) collect interest rates not to exceed three percent higher than the rate of interest it had received the funds: *Provided*, That in no case shall such interest rates be higher than twelve percent per annum.

The merging of two or more BMCs within the same barangay shall not violate the total assets limit, as defined in the IRR.

In all cases where a BMC ceases to operate, the provisions in RA 9520, otherwise known as the "Philippine Cooperative Code of 2008", on dissolution, and as defined in the IRR, shall apply.

SEC. 5. *Mandatory Programs and Services of a BMC.* – To maintain its accreditation, each BMC shall:

a) provide, in collaboration with public and private sector partners as needed, microcredit and financial literacy programs to its members on a continuing basis; and

b) provide, in collaboration with public and private sector partners as needed, programs and services designed to improve the living conditions of the poor, socially marginalized, and underprivileged member-individuals.

SEC. 6. Accreditation. – The Cooperatives Development Officer (CDO) of each city or municipality shall, in addition to its functions, accredit BMCs within their respective jurisdictions and issue a certificate of accreditation to enable a BMC to avail of the benefits under this Act. The IRR shall define the accreditation system, which shall be guided by the following principles:

a) To the extent practicable, BMCs shall be subject to minimal bureaucratic requirements;

b) All applications shall be processed within thirty (30) calendar days upon submission of complete requirements, otherwise, a BMC shall be deemed registered; and

c) No fees shall be assessed on the accreditation of BMCs, or renewal thereof. Unless extended under the IRR, the certificate of accreditation shall be effective for a period of five (5) years, renewable for a period of five (5) years thereafter.

Sec. 7. Powers and Functions of the CDO and CDA over BMCs. – For purposes of this Act, the CDO shall, within its jurisdiction:

a) issue certificate of accreditation as a BMC upon determination that the criteria set for this purpose have been fully satisfied: *Provided*, That the certificate of accreditation shall be valid only for such conditions as may be prescribed under the IRR;

b) in coordination with the Cooperative Development Authority, monitor the performance of the BMCs to ensure continuing compliance with the principles of cooperativism, the provisions of this Act, and its IRR;

c) place under probation, suspend or revoke any certificate of accreditation upon due determination that a BMC no longer meets the criteria for accreditation;

d) require regular submission of reports by BMCs;

e) in coordination with the CDA, exercise supervision over the activities of the BMCs, and as defined in the IRR;

f) in collaboration with public and private sector partners as needed, provide business development opportunities such as leadership training,

entrepreneurial skills enhancement, financial literacy programs to the BMCs and members;

g) in collaboration with public and private sector partners as needed, provide human development services to help the poor achieve a level of sustainability and empowerment; and

h) under the guidance of the CDA, perform such other functions as may be necessary to accomplish the purposes and objectives of this Act.

The CDO shall exercise its powers and functions impartially, without regard to the political interests or affiliations of BMCs and/or their members.

SEC. 8. *Membership and Organization.* – All residents in the barangay are eligible to become members of any one BMC in the barangay. The non-transferability of membership and other organizational matters, including inability to pay the compulsory savings, shall be defined in the IRR.

SEC. 9. *Exemption from Taxes and Fees.* – All BMCs shall be exempt from tax for income arising from their operations: *Provided*, That the filing of returns and reportorial requirements to the existing laws must be complied with: *Provided, further*, That failure to comply with these requirements shall subject the BMCs to the suspension of their CDA registration for a period not exceeding one (1) year, as provided in the IRR.

The cities or municipalities shall either reduce the amount or exempt BMCs from local taxes: *Provided*, That no fees and charges shall be assessed by the cities or municipalities on the application of mayor's or local business permits, and other licenses and approvals.

As defined in the IRR, all other benefits and privileges being enjoyed by cooperatives under RA 9520 shall also be granted to BMCs as applicable.

SEC. 10. *Exemption from the Minimum Wage Law.* – BMCs shall be exempt from the coverage of the Minimum Wage Law: *Provided*, That all employees covered under this Act shall be entitled to the same benefits given to any regular employee such as social security and healthcare benefits: *Provided, further*, That barangay officials cannot be elected as officers of the BMC.

SEC. 11. *Credit Delivery.* – Upon the approval of this Act, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), and the Small Business Corporation (SB Corp.), with its Pondo sa Pagbabago at Pag-asenso (P3) Program, shall set up a special credit window that will service the financing needs of

BMCs registered under this Act consistent with the *Bangko Sentral ng Pilipinas* (BSP) policies, rules and regulations.

All loans from whatever sources granted to BMCs under this Act shall be considered as part of alternative compliance to R.A. No. 10000, otherwise known as the “Agri-Agra Law”, or to R.A. No. 6977, as amended, otherwise known as the “Magna Carta for Micro, Small and Medium Enterprises”, within the parameters defined therein. For purposes of compliance with R.A. No. 10000 and R.A. No. 6977, as amended, loans granted to BMCs under this Act shall be computed at twice the amount of the face value of the loans.

To encourage private financial institutions to lend to the BMCs, the Philippine Guarantee Corporation (PHILGUARANTEE), to the extent of its mandate, shall set up a special guarantee facility to provide the necessary credit guarantee/support.

SEC. 12. *Access to Government Programs and Projects.* – BMCs shall be given ready access to related programs and projects of the government. Government agencies and government financial institutions (GFIs) shall develop and make available support programs for BMCs in barangays with poverty, or affected by or vulnerable to natural disaster or armed conflict. Support programs may include the provision of operational and capacity building grants, and guarantee funds. In addition, GFIs shall, in accordance with and to the extent allowed by enabling provisions of their respective Charters or applicable laws, provide concessional financial packages, such as lower interest rates vis-à-vis prevailing market rates, streamlined loan processes and flexible terms and conditions, to the BMCs.

A BMC may become a Qualified Borrower under R.A.No. 10744, otherwise known as the “Credit Surety Fund Cooperative Act of 2015”, if it elects to become a member of the CSF Cooperative as defined in the Act.

Sec. 13. *Technical Assistance.* – BMCs may access any form of technical assistance from the government, donors and other support organizations in facilitating the linkage between the poor households/microenterprises and microfinance institutions, community organizations, and capacity building of the target clientele; and social preparation activities, and those that will lead to the broadening and deepening of microfinance services such as development of microfinance products, training in

microfinance technologies, and upgrading of performance standards, operating systems and procedures.

SEC. 14. *Source of Funds and Appropriations.* –A BMC Development Fund (BMC Fund) shall be set up, from which each BMC shall be granted a seed fund in such amounts as will be computed using the economic parameters provided for in the IRR. The amount necessary for the implementation of this Act shall be included in the General Appropriations Act and appropriated under the annual budget of the implementing agency, the CDA.

Additional funding may be provided in the budget of the implementing agency in the GAA to be sourced from:

a) the National Government's Share from the Gross Gaming Revenue of PAGCOR; and

b) the income from gambling operations and licensing of the Cagayan Economic Zone Authority (CEZA), Aurora Pacific Economic Zone and Freeport (APECO), Philippine Charity Sweepstakes Office (PCSO), and other Government gambling operators, licensors, and/or regulators that hereinafter may be created or designated:

Provided, That all the above operators, licensors, and regulators will share equally in the additional funding: *Provided, further*, That such funding shall only be available after five (5) years from the time the covid-19 pandemic is formally declared to have ceased.

All utilizations of public funds hereof shall be subject to audit by the Commission on Audit, subject to existing rules and regulations.

A BMC may also receive additional funding from their respective LGUs, other government grants, and private grants and donations.

Further amounts necessary to carry out the initial implementation of this Act shall be included in the General Appropriations Act.

SEC. 15. *Implementing Rules and Regulations.* - Within ninety (90) days from the approval of this Act, the CDA, in consultation with the Department of theInterior and Local Government, Department of Finance, and relevant organizations, shall formulate and promulgate, the rules and regulations (IRR) for the implementation of the provisions of this Act.

SEC. 16. *Penal Clause.* - Any person who shall willfully violate any provision of this Act or who shall in any manner commit any act to defeat any provision of this Act shall, upon conviction, be punished by a fine of not less than One hundred thousand pesos (P100,000.00) but not more than Two million pesos (P2,000,000.00), and suffer imprisonment of not less than two (2) years but not more than five (5) years.

SEC. 17. *Repealing Clause.*-All laws, presidential decrees or issuances, executive orders, letters of instruction, administrative orders, rules or regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 18. *Separability Clause.* - Should any part of this Act be declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SEC. 19. *Effectivity Clause.* - This Act shall take effect fifteen (15) days from its publication in the Official Gazette or in a newspaper of general circulation.

Approved,