

Republic of the Philippines
House of Representatives
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2877**



INTRODUCED BY REPRESENTATIVE ARNOLFO "ARNIE" A. TEVES, JR.

AN ACT
PROVIDING FOR THE RESTRUCTURING AND CONDONATION OF UNPAID INTERESTS, PENALTIES, AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLK AND AGRARIAN REFORM BENEFICIARIES FROM DEPARTMENT OF AGRARIAN REFORM (DAR), DEPARTMENT OF AGRICULTURE (DA), PEOPLE'S CREDIT AND FINANCE CORPORATION (PCFC), COOPERATIVE DEVELOPMENT AUTHORITY (CDA), NATIONAL FOOD AUTHORITY (NFA) AND QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION (QUEDANCOR)

EXPLANATORY NOTE

In the first State of the Nation Address (SONA) of President Ferdinand Marcos Jr, he regarded the agricultural sector as one of the main drivers of his administration's push for growth and employment. He promised to increase agricultural production and to drive the sector toward modernization. To do this, he said the government will provide financial and technical assistance to farmers and fisherfolk. To quote, the President said: "*Ang mga pautang at financial assistance sa mga magbubukid at mangingisda ay magiging institusyon at patakaran ng aking administrasyon.*"

The farmers, fisherfolk and agrarian reform beneficiaries (ARB) and their respective cooperatives or associations have been burdened for a long time of the ballooning interests, penalties, and surcharges to the loans they availed from government agencies. The interests and penalties are huge that some of them are now higher than the principal amount of loan. With the negative impact of the COVID-19 pandemic in the economy, the burden of farmers has become even worse. Many farmers cooperatives and ARB cooperatives are struggling and are haunted with disrupted farm and business operations, low revenues, and low productivity.

It is for this reason that we take measures to apply leniency to farmers, fisherfolk and agrarian reform beneficiaries by condoning all interests, surcharges and other penalties from

the commencement of the loan. All the payments made subsequent to the credit application shall be applied retroactively to the principal amount only.

While the promise of President Marcos to provide loans and financial assistance to boost agricultural production and food security is very much welcome, some farmers cooperatives might not be able to avail of such if they don't have good credit standing.

We need to help them become active players of agricultural production and rural development. This proposed measure will facilitate reintegration into the financial and banking system of the farmers, fisherfolk and ARBs and will give them access to new government credit programs.

It is good to note that this bill has undergone thorough deliberations since the 15th Congress and was, in fact, approved on third and final reading by previous Congresses.

For these reasons, immediate approval of this bill is sought.



HON. ARNOLFO "ARNIE" A. TEVES, JR.

Representative

3rd District of Negros Oriental

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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 “**Agrarian and Agricultural Loan Restructuring and Condonation Act.**”

SECTION 2. *Declaration of Policy* – The State shall promote comprehensive rural development and agrarian reform through the provision of measures that will release farmers, fisherfolk and agrarian reform beneficiaries from the bondage of debt. Towards this end, it shall be the objective of the State to provide farmers, fisherfolk and agrarian reform 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.

SECTION 3. *Definition of Terms* – As used in this Act:

- a) *Agrarian reform beneficiaries* refer to farmers who were granted lands under Presidential Decree No. 27, known as the Emancipation of Tenants and Transfer of Ownership of Land Act and RA 6657 known as the Comprehensive Agrarian Reform Law of 1988, as amended, and other existing agrarian reform laws. These include regular farm workers, irrespective of tenurial arrangement who benefited from the redistribution of lands, including their organizations and cooperatives which have availed of the credit programs enumerated in Section 5 hereof;
- b) *Agricultural and agrarian reform credit* refers to loans granted for agricultural production; promotion of agricultural business and exports including but not limited to the acquisition of work animals, farm equipment and machinery, seeds, fertilizers, poultry, livestock, feeds construction, acquisition and repair of agricultural facilities.
- 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 amortization 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 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 of a loan borrower, which have a material adverse effect on the ability of the borrower to pay an 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;

- j) *Terminated Lending Programs* refer to lending programs instituted by the government which are no longer existing and operational yet with intractable records of loans.

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), 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) 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 bases 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 be granted a one-time condonation only: *Provided finally*, That the condonation of unpaid interests, penalties and surcharges from loans acquired through conduit banks and financial institutions and the agencies mentioned above shall be in conformity with the applicable general banking laws and regulations of the Bangko Sentral ng Pilipinas (BSP).

SECTION 5. *Coverage*. – 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, such as the Dutch Rural Development Assistance Program (DRDAP), DAR Direct Lending Financing Program (DDLFP), DAR Special Projects Office (SPO) Direct, and the SPO Window III Financing Program for Agrarian Reform Beneficiaries of the DAR and the Development Bank of the Philippines;
- (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 Fisherfolk and the Household of the PCFC;
- (f) Cooperative Development Loan Fund of the CDA;
- (g) Farmers Level Grain Center of the NFA; and
- (h) Comprehensive Agrarian Reform Program-Barangay Marketing Center (CARP-BMC) and all agri-credit guarantee programs of QUEDANCOR

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

SECTION 7. *Approval of Application for Condonation.* – The government agency or corporation managing the accounts enumerated in Section 5 hereof, shall review and approve an application for condonation and loan restructuring. The period for payment of the restructured loan shall be determined according to the financial capacity of the farmers, fisherfolk 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 Payment* – The annual collection from payments of loans under the terminated credit programs as provided in Section 5(b) of this Act shall be remitted to the Bureau of Treasury under the Agrarian Reform Fund.

SECTION 9. *Restoration of Non-performing Loans to Status of Good Standing* – Loans restructured under this Act shall be restored to status of good standing upon three (3) consecutive payments by the borrower of the required periodic amortizations under the restructures loan. 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 to government and private credit programs.

SECTION 10. Write-off Loans from the Books of Terminated Lending Programs. – The concerned agencies shall write-off from their books the loans of borrowers of the terminated lending programs provided that the programs are clearly identified, and the accounts involved are past due. The procedure for the writing-off of loans from the books terminated lending programs shall be provided for in the implementing rules and regulations of this Act.

SECTION 11. *Implementing Rules and Regulations (IRR)* – Within sixty (60) days from the effectivity of this Act. The Secretary of the Department of Agrarian Reform, in consultation with the secretaries and heads of offices of the Department of Agriculture, Cooperative Development Authority (CDA), People's Credit and Finance Corporation (PCFC), the Agriculture Credit Policy Council (ACPC) and the Bangko Sentral ng Pilipinas shall promulgate the implementing rules and regulations for the effective implementation of this Act.

SECTION 12 . *Repealing Clause* – All laws, executive orders, issuances or parts thereof inconsistent with the provisions of this Act are hereby amended, repealed and modified accordingly.

SECTION 13. *Separability Clause* – If any provision of this Act is declared unconstitutional, the remainder of this Act, or any provisions not affected thereby shall remain in full force and effect.

SECTION 14. *Effectivity Clause* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,