

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6950



Introduced by Lone District of Agusan del Norte Representative
HON. DALE B. CORVERA

AN ACT
PROVIDING FOR THE RESTRUCTURING AND THE CONDONATION OF UNPAID INTERESTS, PENALTIES, AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLKS, AGRARIAN REFORM BENEFICIARIES, AND CDA-REGISTERED COOPERATIVES FROM GOVERNMENT LENDING AGENCIES

EXPLANATORY NOTE

The 1987 Constitution mandates that the State pursue social justice and promote comprehensive rural development and agrarian reform. It explicitly directs the government to protect the rights of farmers and regular farmworkers, provide support to rural communities, and promote full employment and an improved quality of life for all Filipinos. It also highlights the State's responsibility to reduce economic inequalities and expand opportunities for the marginalized.

Despite these constitutional commitments, data from the Philippine Statistics Authority (PSA) show that poverty remains deeply entrenched among agricultural sector workers. In 2023, poverty incidence among farmers was 27.0%, while among fisherfolk it rose to 27.4%—figures significantly higher than the national average and indicative of persistent structural challenges faced by these sectors in securing stable income and productive opportunities.

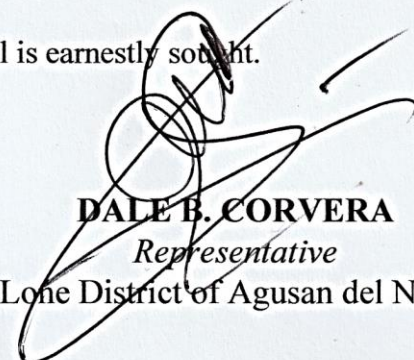
These figures show the broader economic vulnerability of rural producers. Many small farmers, fisherfolk, agrarian reform beneficiaries and their organizations have turned to government credit programs for financing essential inputs, equipment and capital. While government lending has helped provide access to credit, the accumulation of unpaid interests, penalties and surcharges on such loans has created barriers to financial sustainability. These compounding charges, especially under force majeure conditions such as natural disasters and market shocks, make it difficult for borrowers to recover, reinvest or access new financing—locking them in debt cycles that undermine productivity, resilience and livelihoods.

Furthermore, this measure seeks to provide targeted relief by condoning unpaid interests, penalties and surcharges on agricultural and agrarian reform credit obtained from principal government agencies and financial institutions, including the Department of Agrarian Reform (DAR), Department of Agriculture through the Agricultural Credit Policy Council (DA-ACPC), the Cooperative Development Authority (CDA), the National Food Authority (NFA) and the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR). With this,

relief is granted to qualified borrowers—farmers, fisherfolk, agrarian reform beneficiaries, and registered cooperatives—by resetting their financial obligations, condoning only the extra charges while preserving the principal loan balance for structured repayment. This approach mirrors provisions in other statutory frameworks that balance relief with repayment discipline.

This bill aligns with the Constitution's call for social justice and rural development. Giving farmers and fisherfolk a cleaner financial slate helps remove an essential barrier to agricultural productivity, investment in new technology or inputs and market participation—thereby strengthening food security and rural economies.

In view of the foregoing, approval of this bill is earnestly sought.



DALE B. CORVERA
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Be it enacted by the Senate and 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.”

SEC. 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 the bondage of debt. To 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 interests, penalties, and surcharges on their existing loans obtained through government lending programs.

SEC. 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 They Till, and Republic Act No. 6657, otherwise 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 a borrower with at least three (3) consecutive unpaid amortizations or whose total unpaid amortization has reached 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. *Farmers* refer to any natural person whose primary livelihood is the cultivation of land or the production of agricultural crops, livestock, and agricultural products, either by themselves or primarily with the assistance of their immediate farm household or workers, whether the land is owned by them or by another person, under a leasehold agreement or other similar arrangements;
- f. *Fisherfolks* refer to people directly or personally and physically engaged in taking 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, 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; and
- 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.

SEC. 4. **Condonation.** - All unpaid interests, penalties, and surcharges of agricultural and agrarian reform credit secured by farmers, fisherfolks, agrarian reform beneficiaries, Cooperative Development Authority (CDA)-registered cooperatives, agrarian reform beneficiary organizations and farmer organizations from the Department of Agrarian Reform (DAR), Department of Agriculture (DA), People's Credit and Finance Corporation (PCFC), CDA, 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 cases involving force majeure or market aberration, and shall, in no case be applied to cases resulting from the willful default of the borrower to pay such loans: *Provided*, further, That accumulated payments of not less than two percent (2%) of the loan principal shall have been paid at the time of application for condonation: *Provided*, furthermore, That, 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 to encourage borrowing discipline and enhance credit worthiness: *Provided*, finally, That the condonation of unpaid interests, penalties, and surcharges from loans acquired through conduit banks, 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).

This Act shall likewise apply to all unpaid interests, penalties, and surcharges of agricultural and agrarian reform credit that will accrue in favor of the national government, government agencies, or government-owned and -controlled corporations in the event of abolition, dissolution, or cessation of existence of any of the above entities where it was principally availed from.

SEC. 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) Loans secured under the 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) Loans secured under the Cooperative Development Loan Fund of the CDA;
- g) Loans secured under the Farmers Level Grain Center of the NFA; and
- h) Loans secured under the Comprehensive Agrarian Reform Program - Barangay Marketing Center (CARP BMC) and all agri-credit guarantee programs of QUEDANCOR.

SEC. 6. ***Qualified Beneficiaries.*** - Delinquent farmers, fisherfolks, agrarian reform beneficiaries, CDA-registered cooperatives, agrarian reform beneficiary organizations and farmer organizations that 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.

SEC. 7. ***Approval of Application for Condonation.*** - The government agency or corporation managing the accounts secured from the various programs and agencies 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, fisherfolks, agrarian reform beneficiaries, CDA-registered cooperatives, agrarian reform beneficiary organizations and farmer organizations upon the approval of the application. The approval of an application for condonation shall serve as the basis for the concerned government agency or corporation to write off the unpaid interests, penalties, and surcharges condoned.

SEC. 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 accrue to the Agrarian Reform Fund and be remitted to the Bureau of Treasury.

SEC. 9. ***Restoration of Non-performing Loans to Good Standing Status.*** - Loans restructured under this Act shall be restored to good standing status upon three (3) consecutive payments by the borrower of the required periodic amortizations under the restructured loan as determined. Upon satisfaction of the said condition, government agencies may issue the appropriate certifications to the borrower thereby facilitating their reintegration into the financial and banking system.

SEC. 10. ***Writing off of Loans from the Books of Terminated Lending Programs.*** - The concerned agencies shall write off from their books the loans secured under lending programs that have been terminated provided that the programs are clearly identified, and the accounts involved are past due. The procedure for the writing off of loans shall be provided for in the rules and regulations to be issued to implement this Act.

SEC. 11. ***Implementing Rules and Regulations (IRR).*** - Within sixty (60) days from the effectivity of this Act, the Secretary of the DAR shall, in consultation with the secretaries and

heads of offices of the DA, CDA, NFA, QUEDANCOR, the Agriculture Credit Policy Council (ACPC) and the BSP promulgate rules and regulations for the effective implementation of this Act.

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

SEC. 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.

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

Approved,