



HOUSE OF REPRESENTATIVES

H. No. 10750

BY REPRESENTATIVES BULUT-BEGTANG, ESPARES, RIVERA, CAGAS, MARQUEZ, ORTEGA,
SINGSON-MEEHAN, LORIA, CORVERA, ELAGO, DY (F.), MARCOS, AGYAO, BELTRAN AND TIANGCO

AN ACT

PROVIDING FOR THE CONDONATION AND WRITE-OFF OF UNPAID INTERESTS, PENALTIES AND SURCHARGES, AND THE RESTRUCTURING OF LOANS SECURED BY FARMERS, FISHERFOLK, AGRARIAN REFORM BENEFICIARIES AND THEIR COOPERATIVES, ORGANIZATIONS, AND ASSOCIATIONS FROM THE DEPARTMENT OF AGRARIAN REFORM, THE DEPARTMENT OF AGRICULTURE-AGRICULTURAL CREDIT POLICY COUNCIL, THE PEOPLE'S CREDIT AND FINANCE CORPORATION, THE COOPERATIVE DEVELOPMENT AUTHORITY, THE NATIONAL FOOD AUTHORITY, AND THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION

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

1 **SECTION 1. *Short Title.*** – This Act shall be known as the “Agrarian and
2 Agricultural Loan Restructuring and Condonation Act.”

3 **SEC. 2. *Declaration of Policy.*** – It is hereby the declared policy of the State
4 to advance comprehensive rural development and agrarian reform by adopting
5 measures that will liberate farmers, fisherfolk, and agrarian reform beneficiaries from
6 the burden of indebtedness. To this end, the State shall endeavor to restore their
7 access to government and commercial credit facilities, promote financial stability,
8 reestablish creditworthiness, and enhance productivity. This objective shall be

1 pursued through the condonation of unpaid interests, penalties, and surcharges on
2 existing loans obtained under government lending programs, together with the
3 corresponding write-off of such amounts from the accounts of the concerned
4 government agencies.

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

6 (a) *Agrarian reform beneficiaries* refer to farmers who were awarded lands
7 under Presidential Decree No. 27, entitled: Decreeing the Emancipation of Tenants
8 from the Bondage of the Soil, Transferring to Them the Ownership of the Land They
9 Till and Providing the Instruments and Mechanism Therefor, Republic Act No. 6657,
10 otherwise known as the “CARL of 1988,” as amended by RA 9700, and other
11 existing agrarian reform laws, including landless regular farmworkers, regardless of
12 tenure, who benefited from land redistribution or alternative arrangements such as
13 production or profit sharing, labor administration, or stock distribution, ensuring a just
14 share in the fruits of the land. The term also covers agrarian reform organizations
15 and cooperatives of such beneficiaries that have availed of credit programs under
16 Section 5 hereof;

17 (b) *Agricultural and agrarian reform credit* refers to loans and other credit
18 accommodations granted to farmers, fisherfolk and agrarian reform beneficiaries and
19 their organizations or cooperatives for agricultural production, agribusiness, and
20 export promotion. This includes financing for the acquisition of work animals, farm
21 equipment and machinery, seeds, fertilizers, and other farm inputs, poultry, livestock,
22 and animal feeds; as well as the construction, acquisition, improvement and repair of
23 agricultural facilities;

1 (c) *Condonation* refers to the act of the National Government of waiving or
2 relinquishing its right to collect from the loan account owner any unpaid interest,
3 penalties, and surcharges from loans extended under government lending programs;

4 (d) *Delinquent borrower* refers to a person who has failed to pay at least
5 three (3) consecutive amortizations or whose total unpaid amortizations has reached
6 twenty percent (20%) of the total outstanding balance of the loan regardless of the
7 number of unpaid amortizations as of the effectivity of this Act;

8 (e) *Farmers* refer to any natural person whose primary livelihood is the
9 cultivation of land or the production of agricultural crops, livestock, and agricultural
10 products, either by themselves primarily or with the assistance of their immediate
11 farm household or workers, whether the land is owned by them or by another
12 person, under a leasehold agreement or other similar arrangements;

13 (f) *Fisherfolk* refer to people directly, personally, and physically engaged in
14 harvesting or culturing and processing fishery and/or aquatic resources;

15 (g) *Loan restructuring* refers to a process where the principal terms and
16 conditions of the original loan are modified pursuant to an agreement between the
17 borrower and the lending agency, setting forth a new repayment plan or schedule of
18 payment;

19 (h) *Terminated lending programs* refer to lending programs instituted by
20 the government which are no longer existing and operational yet with intractable
21 records of loans; and

22 (i) *Write-off* refers to the elimination of uncollectible account receivables
23 recorded in the general ledger or books of government lending agencies, of accounts
24 for the past ten (10) years or older prior to the effectivity of this Act.

SEC. 4. Condonation of Loan Charges. – All unpaid interests, penalties, and surcharges on agricultural and agrarian reform loans secured by farmers, fisherfolk, agrarian reform beneficiaries, their respective cooperatives, organizations, and associations, as recorded in the general ledgers or books of account of the Department of Agrarian Reform (DAR), Department of Agriculture (DA), Agricultural Credit Policy Council (ACPC), People's Credit and Finance Corporation (PCFC), Cooperatives Development Authority (CDA), National Food Authority (NFA), and the *Quedan* and Rural Credit Guarantee Corporation (QUEDANCOR) prior to the effectivity of this Act, are hereby condoned, including those that have matured, and already undergoing judicial foreclosure: *Provided*, That a graduation process shall be observed in accordance 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, further*, That accumulated payments of not less than two percent (2%) of the loan principal shall have been made at the time of the condonation: *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 conform to the applicable general banking laws and regulations of the *Bangko Sentral ng Pilipinas*.

This Act shall likewise apply to all unpaid interests, penalties, and surcharges on agricultural and agrarian reform credit that may accrue in favor of the national government, its agencies, or government-owned and-controlled corporations upon the abolition, dissolution, or cessation of any of the foregoing entities from which such was principally availed.

1 **SEC. 5. Coverage.** – All unpaid interests, penalties, and surcharges
2 pertaining to the accounts enumerated in Section 6 of this Act shall be granted a
3 one-time condonation. The corresponding loan accounts shall thereafter be subject
4 to restructuring in accordance with the terms and conditions prescribed by the
5 implementing rules and regulations.

6 **SEC. 6. Write-off.** – The Agricultural and Agrarian Reform Loans secured by
7 farmers, fisherfolk, agrarian reform beneficiaries, their respective cooperatives,
8 organizations, and associations incurred from the following terminated lending
9 programs of government agencies are hereby written off, including those that have
10 acquired maturity and already undergoing judicial foreclosure:

11 (a) Agricultural and agrarian reform credit secured through the Credit Assistance
12 Program – Program Beneficiaries Development (CAP-PBD) of the DAR;

13 (b) Agricultural and agrarian reform credit secured through the terminated credit
14 program schemes of the DAR, such as the Dutch Rural Development Assistance
15 Program, DAR Direct Lending Financing Program, DAR Special Projects Office
16 (SPO) Direct Financing Program, and the SPO Window III Financing Program for
17 Agrarian Reform Beneficiaries of the DAR and the Development Bank of the
18 Philippines, DAR-Knowledge Management Information –Peasant Development
19 Fund, CAP-PBD, and loans secured under the Comprehensive Agrarian Reform
20 Program – Barangay Marketing Center and all the agri-credit guarantee programs of
21 the QUEDANCOR;

22 (c) Loans secured under the Resettlement Loan Assistance Program of the DAR
23 for individual agrarian reform beneficiaries;

24 (d) Agricultural credit secured through the High Yield Crop Loan Assistance
25 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 Authority Development Loan Fund of the CDA;

(g) Loans secured under The Farmers' Level Grain Center of the NFA;

(h) Aurora Integrated Area Development Project;

(i) Agri-Fishery Microfinancing Program;

(j) Catanduanes Agricultural Support Program;

(k) Central Cordillera Agricultural Program;

(l) Development Assistance Program for Cooperatives and People's Organizations;

(m) Direct Market Linkage Development Program;

(n) Micro Credit for Rural Enterprise Development;

(o) Agrarian Production Credit Program;

(p) Loans under the Agro-Industry Modernization Credit and Financing Program; and

(q) Loans from Direct Credit Programs now under Philippine Deposit Insurance Corporation receivership:

Provided, That (a) loans with collateral under the foregoing loan programs and (b) loan accounts which have been in the agencies' books of account for less than ten (10) years, shall be excepted from being written off but their corresponding interests, penalties, and surcharges shall also be subject to a one-time condonation and the loan accounts shall be subject to restructuring.

1 **SEC. 7. Transfer Of All Loan Accounts To The Agricultural Credit Policy**

2 **Council: Mandatory Provisions.** – All remaining loan accounts of entities above
3 enumerated that are not covered by loan write-offs shall be transferred to the ACPC
4 for management, collection, and disposition:

5 *Provided,* That the ACPC shall be exempt from court filing fees and other
6 related expenses, including costs associated with transfer of titles:

7 *Provided, further,* That funds that are collected under the accounts of the CDA
8 shall be remitted to the CDA for use in providing project grants to agricultural
9 cooperatives, after deduction of two percent (2%) for ACPC operational expenses.

10 All government lending agencies mentioned in this Act shall transfer remaining
11 loan records, including corresponding loan collaterals, to the ACPC within one
12 hundred eighty (180) days from the effectivity of this Act.

13 Account owners shall apply for condonation and loan restructuring with the
14 ACPC, and once approved, subsequent payment of three (3) successive
15 installments shall operate to restore the account to good standing, to which the
16 ACPC shall issue a certification to this effect.

17 A periodic review of covered programs shall be undertaken, to account for
18 evolving credit schemes and agency mandates.

19 **SEC. 8. Qualified Beneficiaries.** – Delinquent farmers, fisherfolk, agrarian
20 reform beneficiaries, and their respective cooperatives, organizations, and
21 associations that have obtained agricultural and agrarian reform credit under any of
22 the accounts enumerated in Section 6 of this Act, may apply for condonation of
23 unpaid interests, penalties, and surcharges and loan restructuring with the
24 concerned agency or corporation.

1 **SEC. 9. *Approval of Application for Condonation.*** – The government
2 agency or corporation managing the accounts secured under the programs and
3 agencies enumerated in Section 6 of this Act shall, in coordination with the
4 Commission on Audit (COA) and Office of the President (OP), review and approve
5 applications for condonation and loan restructuring. The approval of such
6 applications shall serve as the basis for the concerned government agency or
7 corporation to write off the unpaid interests, penalties, and surcharges.

8 **SEC. 10. *Collection of Payment.*** – All annual collections from loan
9 payments under this Act shall accrue to the Agrarian Reform Fund, and be remitted
10 to the Bureau of Treasury. After remittance, two percent (2%) of the total annual
11 collection shall be deducted and allocated to the ACPC to cover its operational
12 expenses.

13 **SEC. 11. *Establishment Of An Asset Recovery Fund.*** – The concerned
14 government agencies including the DAR, DA, and CDA shall utilize appropriate
15 recovery or asset management mechanisms to ensure that principals remain viable
16 and that revolving or development-oriented funds are not depleted.

17 **SEC. 12. *Implementing Rules and Regulations.*** – Within sixty (60) days
18 after the effectivity of this Act, the Secretary of the Agrarian Reform shall, in
19 consultation with the secretaries and heads of offices of the DA, CDA, NFA,
20 QUEDANCOR, ACPC, COA, and the OP, promulgate rules and regulations for the
21 effective implementation of this Act.

1 **SEC. 13. *Separability Clause.*** – If any part or provision of this Act is held
2 invalid or unconstitutional, the remaining parts or provisions not affected shall remain
3 in full force and effect.

4 **SEC. 14. *Repealing Clause.*** – All laws, executive orders, issuances or parts
5 thereof inconsistent with the provisions of this Act are hereby amended, repealed or
6 modified accordingly.

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

Approved,