



HOUSE OF REPRESENTATIVES

H. No. 5083

BY REPRESENTATIVES CANAMA, CHUNGALAO, AGABAS, SY-ALVARADO,
NIETO, VILLANUEVA (E.) AND RIVERA

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 THE QUEDAN
AND RURAL CREDIT GUARANTEE CORPORATION
(QUEDANCOR)

*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, 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.

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
farmworkers, 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 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 the 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; 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, fisherfolk and agrarian reform beneficiaries from the 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 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).

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 Officer (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 (CARPBMC) and all agri-credit guarantee programs of the QUEDANCOR.

SEC. 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.

SEC. 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.

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 be remitted to the Bureau of the Treasury under the Agrarian Reform Fund.

SEC. 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 restructured 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 access to government and private credit programs.

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

9 SEC. 11. *Implementing Rules and Regulations (IRR).* – Within
10 sixty (60) days from the effectivity of this Act,
11 the Secretary of the DAR, in consultation with the secretaries
12 and heads of offices of the DA, CDA, PCFC, the Agriculture
13 Credit Policy Council (ACPC) and the BSP shall promulgate
14 the implementing rules and regulations for the effective
15 implementation of this Act.

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18 this Act are hereby amended, repealed or modified accordingly.

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

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

Approved,