

SEVENTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

HOUSE OF REPRESENTATIVES  
H.B. No. 3273

HOUSE OF REPRESENTATIVES

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Introduced by Representative Harry L. Roque Jr.

AN ACT  
PROVIDING MEASURES TO ENHANCE THE ACCEPTABILITY OF AGRICULTURAL LANDS  
AS SECURITY FOR LOANS OBTAINED FROM LENDERS, BANKS, AND OTHER FINANCIAL  
INSTITUTIONS THEREBY PROMOTING ACCESS TO RURAL CREDIT, PROVIDING  
MECHANISMS THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This bill seeks to provide measures to enhance the acceptability of agricultural lands as security for loans obtained from banks and other financial institutions. In the event that the acceptability of agricultural lands as collateral in loan applications is enhanced, access to rural credit will be upheld and encouraged.

The salient provisions of this measure and other points that are connected to other existing agrarian reform laws are projected to work toward the benefit of the poor and marginalized farming populace in our rural communities. Strengthening the capacity of the agrarian sector is a significant action to sustain and promote the welfare and interests of the farmers and other agrarian reform beneficiaries. This is a Senate counterpart bill to the one filed in the House of Representatives by Rep. Rodriguez D. Dadivas.<sup>1</sup>



HARRY L. ROQUE JR.

<sup>1</sup> This bill was originally filed during the Fifteenth Congress, First Regular Session, and refiled by Senator Miriam Defensor Santiago during the Sixteenth Congress, Third Regular Session.

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4 INSTITUTIONS THEREBY PROMOTING ACCESS TO RURAL CREDIT, PROVIDING  
5 MECHANISMS THEREFOR AND FOR OTHER PURPOSES

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

6 SECTION 1. *Short Title.* - This Act shall be known as the "Enhanced Collateral Value of Farm  
7 Lands Act."

8 SECTION 2. *Declaration of Policy.* - It is hereby declared the policy of the State to promote a  
9 more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of  
10 goods and services produced by the nation for the benefit of the people; and an expanding productivity as  
11 the key to raising the quality of life for all, especially the underprivileged. Towards this end, the State  
12 shall ensure that the agrarian reform beneficiaries and other rural and agricultural sectors of the economy  
13 shall be given optimum opportunity to develop in order to promote the welfare of the agriculture and rural  
14 population by increasing their income. To maximize productivity, promote efficiency and equity, provide  
15 infrastructure network and accelerate sectors of the country, credit shall be directed to the said directors.

16 SECTION 3. *Coverage.* - This Act shall apply to the following categories of agricultural lands  
17 devoted to agricultural activity as defined in Republic Act No. 6657 (Comprehensive Agrarian Reform  
18 Law of 1988) as amended:

- 1 (A) Lands not yet covered by any Agrarian Reform Program;
- 2 (B) Lands with agricultural lessees, whether or not they have been the subject of the
- 3 landowner's prior exercise of Retention Rights granted by law, without prejudice to
- 4 the rights of the agricultural lessee;
- 5 (C) Lands covered and fully paid under Presidential Decree No. 27, or Republic Act No.
- 6 6657 and beyond the 10-year prohibition period;
- 7 (D) Lands covered by homestead grants and free patents;
- 8 (E) Lands covered by Republic Act No. 6657 but not yet fully paid neither within or
- 9 beyond the 10-year prohibition period;
- 10 (F) Lands covered and fully paid under Republic Act No. 6657 but still within the 10-
- 11 year prohibition period.

12 SECTION 4. *Acceptability as Loan Collateral.* – All agricultural lands enumerated under Section

13 3 of this Act shall be accepted as collateral by any lender, bank and other financial institution to secure

14 loans of the registered owners as appearing in the Emancipation Patent, Homestead Patent, Free Patent,

15 Certificate of Land Ownership Award, Original certificate of Title or Transfer Certificate of Title. The

16 proceeds of the loan obtained herein shall be used exclusively for agricultural activity such as agricultural

17 production, land development, post-harvesting facilities, and shallow-tube well and pump irrigation,

18 distribution and marketing, livelihood or related activities. When the feasibility of investment studies are

19 required by the lender, bank or financial institution, the Department of Agrarian Reform (DAR) and the

20 Department of Agriculture (DA) shall provide technical assistance in the preparation of such documents.

21 SECTION 5. *Land Bank Authorization of the Loan; Additional Requirements.* – For partially paid

22 and unpaid lands, all loans that are to be granted by lending institutions are deemed to be with

23 authorization and consent of the Land Bank of the Philippines (LBP) and the DAR subordinated to any or

24 all prior encumbrance existing in favor of LBP.

1           The consent of the co-owners, in the case of co-owned lands, and the ratification of the majority  
2 of the members, in the case of cooperative-owned lands, shall likewise be obtained without prejudice to  
3 the submission of standard documentary requirements of banks and other lending institutions for the  
4 processing of loans as provided by pertinent banking laws, rules and regulations.

5           SECTION 6. *Valuation.* - For those lands covered under Section 3, DAR and LBP shall undertake  
6 measures to disseminate the valuation formula and provide technical assistance to all other lending  
7 institutions, based on applicable laws, rules and regulations.

8           SECTION 7. *Access to Guarantee.* - Farmer-beneficiaries and owners of encumbered or non-  
9 transferable lands classified under Section 3, paragraphs D, E and F shall be provided with credit  
10 guarantee by the Quedancor: Provided, that the guarantee cover shall not exceed the principal amount of  
11 the loan; Provided further, that the principal amount shall not exceed the amount determined by  
12 Quedancor and DA based on the agricultural activity and locality in which such is proposed: Provided,  
13 finally, that credit guarantees shall be subject to prior approval by Quedancor.

14           SECTION 8. *Event of Default and Foreclosure of Mortgage.* - In the event of default by the  
15 borrower under this Act, the lender, bank or financial institution may proceed against the security for the  
16 loan in accordance with existing laws and subject to the provisions of this Act: Provided, that in the case  
17 of encumbered or non-transferable lands offered as security classified under Section 3, paragraphs D, E  
18 and F, the lender, bank or financial institution shall be paid the guarantee only after assigning the  
19 mortgage credit to LBP; Provided further, that if the farmer-beneficiary has not yet fully paid the  
20 amortization of the land awarded to him or her under the Agrarian Reform Program, the agricultural  
21 productivity loan shall be added to the total loans owed to the government; Provided finally, that in case  
22 the farmer-beneficiary has fully paid for the land awarded, the agricultural productivity loan shall be  
23 secured by the awarded land.

1 Foreclosure of mortgages constituted over unencumbered and transferable lands categorized  
2 under Section 3, paragraphs A, B, C and D of shall be governed by existing laws subject to Sections 71, 72  
3 (b) and 13-A of Republic Act No. 6657 as amended by Republic Act No. 7881.

4 LBP foreclosure of mortgages constituted over encumbered or non-transferable lands categorized  
5 under Subsections D, E and F shall be in accordance with paragraph 2 of Section 26 and paragraph 4 of  
6 Section 27 of Republic Act No. 6657 with the terms and conditions to be determined by LBP and DAR.

7 SECTION 9. *Bidders in Auction Sale of Agricultural Land.* - In all cases of foreclosure of  
8 mortgages constituted over lands described in Section 3 of this Act, whether by the LBP, bank, financial  
9 institution or any other lender, no person shall be allowed to bid in the auction sale nor shall the  
10 agricultural land be sold to any person not qualified to own agricultural land as determined by DAR in  
11 accordance with Republic Act No. 6657, Sections 6 and 70.

12 SECTION 10. *Exercise of Redemption Right.* - In case the landholding is sold to a third person  
13 through public auction for failure of the borrower to pay the loan, the owner or agrarian reform  
14 beneficiary shall have the right to redeem the same at a reasonable price and consideration including  
15 interest thereon: provided, that the entire landholding must be redeemed; provide further that if there are  
16 more than one redemptionist owner or agrarian reform beneficiary, each shall be entitled to the said right  
17 of redemption only to the extent of the area actually cultivated by him or can afford to pay but not  
18 exceeding the three hectares award limit. The right of redemption under this Section may be exercised  
19 within two years from the date of registration of the sale, and shall have priority over any other right of  
20 legal redemption.

21 SECTION 11. *Monitoring of Loan and Bond Proceeds.* - The DAR shall be responsible for the  
22 monitoring of the utilization of the loan proceeds of borrowers under this Act; Provided, that banks and  
23 financial institutions shall provide semi-annual reports to the Bangko Sentral ng Pilipinas (BSP),  
24 furnishing copies to the DAR, DA-Agricultural Credit Policy Council (ACPC) and Quedancor, on the

1 status of the loan as well as issues affecting the implementation of the agricultural activity project for the  
2 latter government entities to submit policy corrective actions and/or recommendations; Provided, further,  
3 that Quedancor shall provide quarterly reports on the status of the utilization of bond proceeds to the  
4 Department of Finance (DOF) and BSP furnishing copies to DAR and DA-ACPC.

5         SECTION 12. *Guarantee Fund.* – There is hereby created a Guarantee Fund for agricultural and  
6 agrarian borrowers with the amount of at least Five Billion Pesos (P5,000,000,000.00). The Fund which  
7 shall be managed and administered by the Quedan and Rural Credit Guarantee Corporation  
8 (QUEDANCOR) shall be funded from the proceeds of the Agri-Agra Reform Bonds to be issued by the  
9 DOF and guaranteed by the Republic of the Philippines; Provided, that the DOF in coordination with the  
10 DAR may increase or decrease the amount of Guaranteed Fund in accordance with the total level of  
11 utility and demand for credit: Provided, further, that one percent (1%) of the total loanable funds of all  
12 public and private banking institutions under the ten percent (10%) agrarian reform credit in Section 3 of  
13 Presidential Decree No. 717 (Agri-Agra Law) shall be invested exclusively, without any alternative mode  
14 of compliance, for the purchase of the Agri-Agra Reform Bonds competitive with existing bonds and  
15 securities in domestic market circulation; Provided, finally, that the BSP shall draft the incentive  
16 programs to encourage all public and private banking institutions to purchase such bonds.

17         SECTION 13. *Assistance for Capacity Building and Feasibility Studies.* - The DAR and DA shall  
18 provide technical assistance in capacity and preparation of feasibility studies as may be required by the  
19 lender, bank or financial institution. For this purpose, the Executive Department shall increase the  
20 appropriations for Capacity Building and Feasibility Studies under the Program Beneficiaries  
21 Development Component of the Comprehensive Agrarian Reform Program (CARP) to support the  
22 farmers in this Act, the additional funding of which shall include in the General Appropriations Act of the  
23 year following its enactment into law and thereafter.

1           SECTION 14. *Compliance with the Agri-Agra Law (Presidential Decree No. 717) and Other*  
2 *Incentives.* - The purchase of Quedancor Agri-Agra Reform Bonds and loans granted under this Cat shall  
3 form part of compliance with the Agri-Agra Law (Presidential Decree No. 717) by the lending institution.

4           Any transaction of sale, transfer or conveyance of lands under this Act shall exempt from the  
5 payment of capital gains tax, registration fees, and all other taxes and fees for the conveyance and transfer  
6 thereof as provided under Sections 66 and 67 of Republic Act No. 6657.

7           SECTION 15. *Penalties.* - For lands which have already been covered under Republic Act No.  
8 6657, Presidential Decree No. 27 or related agrarian law, violations and other prohibited acts contrary to  
9 the exclusivity of loan purpose as defined under Section 4 hereof, such as misuse or diversion of financial  
10 and support services extended to agrarian reform beneficiaries or a deviation by the mortgagor in the use  
11 of loan proceeds, shall result in the cancellation of Emancipation Patents/ Certification of Land  
12 Ownership Awards (Eps/ CLOAs) or perpetual disqualification to be agrarian reform beneficiaries, or  
13 both Provided, that if the offender is a public official or employee found to be in collusion to defraud the  
14 farmer, lender, bank or other financial institution or the government, the penalty shall be imprisonment or  
15 *prison mayor* with absolute disqualification as accessory penalty and a fine of not more than double the  
16 amount of fraud but less than One hundred thousand pesos (P100,000.00); Provided, further, that if the  
17 offender is a juridical person, the penalty shall be imposed on the responsible officers thereof.

18           Loans secured by lands that are not yet covered under Republic Act No. 6657, Presidential  
19 Decree No. 27 or related agrarian reform law, or those lands which have been retained pursuant to  
20 agrarian law, shall be governed by existing administrative and penal sanctions under the pertinent banking  
21 laws and rules and regulations of the BSP.

22           SECTION 16. *Transitory Provisions.* - An independent review of the ten year period of  
23 prohibition on the sale, transfer or conveyance of lands acquired by the beneficiaries under the agrarian  
24 reform program shall immediately be undertaken by the Presidential Agrarian Reform Council (PARC)



1 upon the effectivity of this Act to determine and recommend changes and other measures to induce the  
2 participation of the private sector in lending to beneficiaries of the, agrarian reform program. The  
3 recommendations of the review shall be given to the appropriate congressional committees within one  
4 year from the date of effectivity of this Act for possible legislative actions and to the executive branch for  
5 policy and program changes immediately after submission.

6 SECTION 17. *Implementing Rules and Regulations.* - The DAR, DA, LBP, DOF,  
7 QUEDANCOR, and Cooperative Development Authority (CDA) in consultation with concerned  
8 government agencies, fanners, cooperatives and banking and financial institution sectors, shall formulate  
9 the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules  
10 and regulations shall take effect fifteen (15) days after the publication in a newspaper of general  
11 circulation.

12 SECTION 18. *Separability Clause.* - If any provision of this Act is held invalid or  
13 unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

14 SECTION 19. *Repealing Clause.* - All laws, decrees, orders, and issuances, or portions thereof,  
15 which are inconsistent with the provisions of this Act, are hereby repealed, amended or modified  
16 accordingly.

17 SECTION 20. *Effectivity Clause.* -This Act shall take effect fifteen (15) days after its publication  
18 in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,