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Republic of the Philippines
HOUSE OF REPRESENTATIVES
QUEZON CITY
EIGHTEENTH CONGRESS
First Regular Session
HOUSE BILL NO. 6899

Introduced by: **HON. JOHN REYNALD M. TIANGCO**

**AN ACT REGULATING THE SCOPE OF A LOAN MORATORIUM ON CREDIT FACILITIES
GRANTED TO LOCAL GOVERNMENT UNITS**

Section 1. **Short Title** – The Act shall be known as “The LGU Loan Moratorium Act of 2020.”

Section 2. **Declaration of Policy** – It shall be the policy of the State to bolster the resumption of economic growth of local government units. Following the passage of Republic Act No. 11469 otherwise known as the “Bayanihan to Heal as One Act,” this Act aims to alleviate the debt-burden of local government units in order to help them address the immediate financial and economic concerns of their localities. This Act also aims to provide local government units a reasonable period within which to meet their credit obligations through the implementation of various mechanisms instituting deferment of payment of loan amortization due within any community quarantine period, premised upon redirecting budget for loan payments into social amelioration programs.

Pursuant to the Congressional mandate to extend the nationwide moratorium under the Bayanihan to Heal as One Act on loan payments, this Act requires institutions to implement a two (2)-year grace period for all loans incurred by local government units with principal and/or interest falling due within any community quarantine period “without incurring interest on interest, penalties, fees and other charges.”

Section 3. **Definition of Terms**

- (a) *Debtor/s* – Qualified local government units with existing loans granted by government-owned or -controlled corporations incurring interests and penalties;

(b) *Creditor/s* – Government-owned or -controlled corporations and financial institutions.

(c) *Loan/s* – debt instruments, loan contracts or credit facilities incurred before the community quarantine, with payments falling within any declared community quarantine period, including any document or instrument for, used in connection with, or related to:

- i. Any obligation to pay the principal of, premium of, if any, interest on, penalties, reimbursement or indemnification amounts, fees, expenses, or other amounts relating to any indebtedness, and any other liability, contingent or otherwise,
 1. For borrowed money;
 2. Evidenced by bonds, debentures, indentures, notes, resolutions, credit agreements, trade finance agreements, trade finance facility agreements, securities, or similar instruments; or
 3. for any letter of credit or performance bond; ii. Any contingent obligation in respect of or related to any liability of the kind described in the preceding paragraph, including, but not limited to, any guaranty of such liability and any reimbursement agreement in respect of an insurance policy covering such liability;
- iii. Any obligation in respect of bankers' acceptances; iv. Any obligation in respect of a swap agreement, derivative contract or related agreement, hedge agreement, securities contract, forward contract, repurchase agreement, option, warrant, commodities contract, or similar document;
- v. Any and all deferrals, renewals, extensions, and refunding of, or amendments, modifications, or supplements to, any liability of the kind described in (i) through (iv);
- vi. Any liability arising out of any judgment relating to any liability of the kind described in (i) through (v); or
- vii. Any liability arising from an obligation of insurance relating to any liability of a kind described in this section.

Provided that the following are not covered:

- i. Debtors in default for more than thirty (30) days before any declared community quarantine period, in respect of any payment under a loan;
- ii. Loans related to trading in investment instruments; iii. Investment instruments; iv. Financial guarantees; and v. Deferred payments;

vi. Loans for continuous provision of services and goods, for which payment is in installments; and vii. Revolving or overdraft facilities.

(d) *Moratorium* – a two (2) year grace period or imposed deferment of Loan payment due within any declared community quarantine period.

Section 4. ***Suspension of enforcement proceedings.*** During the Moratorium, no act shall be done, and no action or proceeding, including issuance of process, shall be commenced or continued in any court in any jurisdiction, which could result in the recovery from, or judgment or enforcement against such government entity related to any covered obligation, or any funds, property, receivables or revenues thereof; any order, judgment, lien, set-off, right of attachment or counterclaim related to any covered obligation against such government entity, or the indebtedness or liability evidenced thereby; or the application of any funds, property, receivable or revenues of such government entity related to any covered obligation of such government entity, or the indebtedness or liability evidenced thereby.

Section 5. During the Moratorium, no creditor asserting claims or other rights, no trustee, no insurer, and no financial institution that receives or holds funds from such creditor may exercise any remedy, which remedy shall include any right of acceleration or termination, right of set-off, right of attachment or counterclaim related to any covered obligation of such debtor, under any contract or applicable law as a result of:

- a. Non-payment of any obligation arising under or related to any covered obligation of such government entity;
- b. Breach of any condition or covenant under or related to any covered obligation of such government entity;
- c. The accrual of any right that is conditioned upon the financial condition of, or the commencement of a restructuring, insolvency, bankruptcy, or other proceeding, including a default or an event of default thereunder; or
- d. The effectivity of this Act or any similar legislation, including other moratorium legislation.

Section 6. During the Moratorium, no contract to which the debtor is a party may be terminated or modified, nor may any right or obligation under such contract be terminated or modified solely because of a provision in such contract conditioned on:

- a. The insolvency or financial condition of such government entity;
- b. The commencement of a restructuring, insolvency, bankruptcy, or
- c. Other proceeding, or a moratorium by such government entity; or
- d. A default under a separate contract that is due to, triggered by; or as
- e. The result of the occurrence of the events or matters in the previous subsections.

Section 7. ***Opt in.*** The notification will be submitted to the creditor with an affidavit that the local government unit intends to make use of the Moratorium due to negative economic impacts of the pandemic. The deferral effect will only benefit local government units that can demonstrate in their notifications, the following:

- i. That they have lost revenue due to the exceptional circumstances resulting from the spread of the Covid-19 pandemic;
- ii. They can no longer reasonably be expected to honor their contractual commitments as a result of this loss of income. In assessing such reasonableness, a case-by-case consideration is required; and
- iii. The scope of application of the law may be extended by statutory order to other groups of debtors and creditors, including in particular SMEs.

Section 8. ***Implementing Rules and Regulations*** – Within ninety (90) days after this Act takes effect, the Department of Finance, in consultation and coordination with appropriate government agencies, representatives from the private sector, and other stakeholders, shall promulgate the necessary implementing rules and regulations for the effective implementation of this Act.

Section 9. ***Separability Clause*** – In the event any provision of this Act or the application of such provision to any person or circumstances is declared invalid, the remainder of this Act or the application of said provisions to other persons or circumstances shall not be affected by such declaration.

Section 10. ***Repealing clause*** – All acts and regulations not consistent with this Act are hereby amended or repealed.

Section 11. ***Effectivity*** – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,