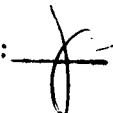




16 JUL 19 P5 28

SENATE

S. No. 605

PL: P BY: 

Introduced by Senator Antonio "Sonny" F. Trillanes IV

AN ACT

PROVIDING FOR THE CONDONATION OF UNPAID INTERESTS, PENALTIES AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLKS AND AGRARIAN REFORM BENEFICIARIES FROM THE DEPARTMENT OF AGRARIAN REFORM (DAR), THE DEPARTMENT OF AGRICULTURE (DA), THE PEOPLE'S CREDIT AND FINANCE CORPORATION (PCFC), THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA), THE NATIONAL FOOD AUTHORITY (NFA) AND THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION (QUEDANCOR)

EXPLANATORY NOTE

The fundamental precept of social justice is that "those who have less in life must have more in law." Social justice commands the protection by the state, as well as its forgiveness to the less fortunate members of the society. In cognizance of the above principle, this measure seeks legislative relief for the farmers, fisherfolks and agrarian reform beneficiaries by way of condonation of the unpaid interests, penalties and surcharges incurred by their loans secured from government agencies and agricultural financial institutions.

This measure provides for the following conditions:

- *Among those to be covered by the condonation program are those loans incurred 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 Quedan and Rural Credit Guarantee Corporation (QUEDANCOR).*
- *The bill covers those applicants who have an accumulated payment of not less than 5% of the principal at the time of application for condonation.*
- *Justifications that would merit loan condonation will be limited to force majeure or market aberration. The benefits will not be extended to persons who are willfully defaulting on loan payments;*
- *The period of payment of the restructured loan shall be determined according to the financial capacity of the borrowers upon the approval of the application. Such approval for application for loan condonation shall serve as the basis for the concerned agency corporation to write off the unpaid interests, penalties and surcharges condoned.*

It is hoped that the passage of this measure will pave the way for the reintegration into the financial and banking system of the agricultural sector by giving them access to new and additional government credit programs.

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


ANTONIO "SONNY" F. TRILLANES IV
Senator



'16 JUL 19 P5:28

SENATE

S. No. 605

RECEIVED BY: 

Introduced by Senator Antonio "Sonny" F. Trillanes IV

AN ACT

PROVIDING FOR THE CONDONATION OF UNPAID INTERESTS, PENALTIES AND SURCHARGES ON LOANS SECURED BY FARMERS, FISHERFOLKS AND AGRARIAN REFORM BENEFICIARIES FROM THE DEPARTMENT OF AGRARIAN REFORM (DAR), THE DEPARTMENT OF AGRICULTURE (DA), THE PEOPLE'S CREDIT AND FINANCE CORPORATION (PCFC), THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA), THE 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:

1 **SECTION 1. Title.** – This Act shall be known as the "*Agrarian and Agricultural*
2 *Credit Condonation Act of 2016*".

3
4
5 **SEC. 2. Declaration of Policy.** -The State shall promote comprehensive rural
6 development and agrarian reform through the provision of measures that will release farmers,
7 fisherfolks and agrarian reform beneficiaries from their bondage to debts. Towards this end,
8 it shall be the objective of the State to provide farmers, fisherfolks and agrarian reform
9 beneficiaries the opportunity to regain access to government and commercial credit facilities
10 through the condonation of unpaid interests, penalties and surcharges on their existing loans
11 obtained through government lending programs and their eventual restructuring.

12
13
14 **SEC. 3. Definition of Terms.** – For the purpose of this Act, the following terms shall
15 be defined as follows:

- 16
17 a) *Agrarian reform beneficiaries* refer to farmers who were granted lands under
18 Presidential Decree No. 27, known as the Comprehensive Agrarian Reform
19 Law and Republic Act No. 9700 or the Comprehensive Agrarian Reform Law
20 Extension with Reforms, and other existing agrarian reform laws and regular
21 farmworkers, irrespective of tenurial arrangement who benefited from the
22 redistribution of lands.
- 23
24 b) *Agricultural and agrarian reform credit* refers to loan activities and purposes
25 including, but not limited to, agricultural production; promotion of
26 agribusiness and exports; acquisition of work animals, farm equipment and

1 machinery, seeds, fertilizers, poultry, livestock, feeds and other similar items;
2 construction, acquisition and repair of facilities for production, processing,
3 storage and marketing, and such other facilities in support of agricultural and
4 farm commodities.

5
6 c) *Condonation* refers to the relief granted by law in the payment of unpaid
7 interests, penalties and surcharges.

8
9 d) *Delinquent borrower* refers to the borrower with at least three (3) consecutive
10 unpaid amortizations or whose total unpaid amortizations reaches twenty
11 percent (20%) of the total outstanding balance of the loan regardless of the
12 number of unpaid amortizations as of the effectivity of this Act.

13
14 e) *Farmer* refers to any natural person whose primary livelihood is the
15 cultivation of land or the production of agricultural crops, livestock and
16 agricultural products, either by himself or primarily with the assistance of his
17 immediate farm household or workers, whether the land is owned by him or
18 by another person, under a leasehold agreement or other similar arrangements.

19
20 f) *Fisherfolk* refers to people directly or personally and physically engaged in
21 taking and/or culturing and processing fishery and/or aquatic resources.

22
23 g) *Force majeure* refers to events whether natural or political, beyond the
24 reasonable control and incurred not as a result of the negligence or willful act
25 of the delinquent borrower, which has a material adverse effect on his/her
26 ability to pay its obligation.

27
28 h) *Market aberrations* refer to unusual adverse movements in market prices
29 which have detrimental effects on the yield and income of farmers, fisherfolks
30 and agrarian reform beneficiaries.

31
32 i) *Loan restructuring* refers to a process where the principal terms and
33 conditions of the original loan are modified in accordance with an agreement
34 setting forth a new plan or schedule of payment.

35
36
37 **SEC. 4. *Condonation.*** – All unpaid interests, penalties and surcharges of agricultural
38 and agrarian reform credit secured by farmers, fisherfolks and agrarian reform beneficiaries
39 from the Department of Agrarian Reform (DAR), the Department of Agriculture (DA), the
40 People's Credit and Finance Corporation (PCFC), the Cooperative Development Authority
41 (CDA), the National Food Authority (NFA), and the Quedan and Rural Credit Guarantee
42 Corporation (QUEDANCOR) prior to the effectivity of this Act are hereby condoned upon
43 approval of the application for condonation of a borrower qualified under this Act: *Provided,*
44 That the basis for the condonation shall be limited to force majeure or market aberration and
45 shall, in no case, be applied for the willful default of the borrower to pay such loans:
46 *Provided further,* That accumulated payments of not less than five percent (5%) of the loan
47 principal shall have been paid at the time of application for condonation: *Provided*
48 *furthermore,* That, to encourage borrowing discipline and enhance credit worthiness, a
49 graduation process shall be followed in consonance with the plan of payment such that a
50 borrower shall only be granted a one-time condonation: *Provided finally,* That the

1 condonation of unpaid interests, penalties and surcharges from loans acquired through
2 conduit banks and financial institutions shall be in conformity with the applicable general
3 banking, laws and regulations of the Bangko Sentral ng Pilipinas (BSP).
4
5

6 **SEC. 5. Coverage of Condonation Program.** – The following accounts are covered
7 by the condonation program:

- 8 a) Agricultural and agrarian reform credit secured through the Credit Assistance
9 Program - Program Beneficiaries Development of the DAR;
10
- 11 b) Agricultural and agrarian reform credit secured through the terminated credit
12 program schemes of the DAR, i.e., Dutch Rural Development Assistance
13 Programme (DRDAP); DAR Direct Lending Financing Program (DDLFP);
14 DAR Special Projects Office (SPO) Direct; and DAR-DBP SPO Window III
15 Financing Program for agrarian reform beneficiaries;
16
- 17 c) Resettlement Loan Assistance Program of the DAR for individual agrarian
18 reform beneficiaries;
19
- 20 d) Agricultural credit secured through the High Yield Crop Loan Assistance
21 Program of the DA;
22
- 23 e) Agricultural credit secured through Microfinance Program for small farmers
24 and fisherfolks and the household of the PCFC;
25
- 26 f) Cooperative Development Loan Fund of the CDA;
27
- 28 g) Farmers Level Green Center of the NFA; and
29
- 30 h) CARP-Barangay Marketing Center (CARP-BMC) of the QUEDANCOR.
31

32
33 **SEC. 6. Qualified Beneficiaries.** – Delinquent farmers, fisherfolks or agrarian reform
34 beneficiaries who secured agricultural and agrarian reform credit under any of the accounts
35 enumerated in Section 5 of this Act may apply for condonation of unpaid interests, penalties
36 and surcharges with the concerned government agency or corporation.
37
38

39 **SEC. 7. Approval of Applications for the Condonation of Unpaid Interests,**
40 **Penalties and Surcharges, and Loan Restructuring.** – The government agency or
41 corporation managing the accounts enumerated in Section 5 hereof shall review and approve
42 an application for condonation and restructuring of the loan balance. The period for payment
43 of the restructured loan shall be determined according to the financial capacity of the
44 farmers, fisherfolks and agrarian reform beneficiaries upon the approval of the application.
45 The approval of the application for condonation shall serve as the basis for the concerned
46 government agency/corporation to write-off the unpaid interests, penalties and surcharges
47 condoned.

1 **SEC. 8. *Collection of Payments.*** –The annual collection from payments of loans
2 under Section 5(b) by the Task Force Collection shall be remitted to the Bureau of Treasury
3 and held as trust fund to be called the Agrarian Reform Fund.
4
5

6 **SEC. 9. *Restoration of Nonperforming Loans to Performing Status.*** – Loans
7 restructured under the implementation of this Act shall be restored to performing status or
8 status of good standing upon three (3) consecutive payments by the borrower of the required
9 periodic amortizations. Government agencies may issue the appropriate certifications to the
10 borrower, upon satisfaction of the said condition, thereby facilitating their reintegration into
11 the financial and banking system by allowing them to access new and additional credit and
12 other government programs.
13
14

15 **SEC. 10. *Implementing Rules and Regulations (IRR).*** – The DAR, the DA, the
16 PCFC, the Agricultural Credit Policy Council (ACPC) and the BSP are hereby directed to
17 issue the IRR of this Act within sixty (60) days after its effectivity.
18
19

20 **SEC. 11. *Separability Clause.*** – If, for any reason, any section or provision of this
21 Act 8 shall be held unconstitutional or invalid by a competent authority, no other section,
22 provision or 9 part hereof shall be affected and the same shall remain in full force and effect.
23
24

25 **SEC. 12. *Repealing Clause.*** – Section 36 of Presidential Decree No. 1445, all other
26 laws, executive orders, issuances or parts thereof inconsistent with the provisions of this Act
27 are hereby amended, repealed and modified accordingly.
28
29

30 **SEC. 13. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days following
31 its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,