


THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
FIRST REGULAR SESSION

5 JAN 12 P1:00

RECEIVED BY: 

SENATE
S.B. No. **1883**

INTRODUCED BY SENATOR MAGSAYSAY, JR.

EXPLANATORY NOTE

All livelihood and technological loan institutions in the likes of the Technology & Livelihood Resource Center (TLRC), Livelihood Corporation, Quedan & Rural Credit Guarantee Corporation, GSIS & SSS Business Loan: are just among the numbers of small business loan facilities being set-up and run by the government principally to provide assistance to aspiring small business investors which cannot afford the high rates offered by its private counterpart.

Aside from being a third world country our impoverishing situation prompted the government leadership to set-up these facilities to help alleviate poverty by way of encouraging our own citizenry not to fully rely on government in sustaining a decent living.

Unlike the private financial and banking institutions, government finance and Credit Corporations are not geared towards earning profits but the services it will ultimately deliver to the society as its major thrust.

Indeed, many of our ordinary citizens which started their small ventures with the aid of government run credit and finance corporations have already succeeded. Aside from finishing off with their loans, most have expanded their businesses that incidentally help create and provide jobs.

It is saddening to note however, that on the other hand, many of those that availed of small business loans became unfortunate not to make a payoff at the time of loan maturity. We should understand that

the very volatile business environment coupled with the nation's recurring economic crisis made a direct hit on their modest venture.

These inopportune cases pushed this representation to come up with this legislation that will provide protection to small borrowers of all government livelihood loans by way of putting in place and allowing condonation of loans that have applied for restructuring. Through this, those ventures that did not hit it off on time will be given a second chance to recuperate.

If some government finance institutions can afford to provide restructuring of housing loans, I don't see any other reason why a livelihood loan that is earning cannot be accorded with the same dispensation.

The immediate approval of this bill is earnestly sought.


RAMON B. MAGSAYSAY, JR.

THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
FIRST REGULAR SESSION

5 JAN 12 01:00

SENATE
S.B. No. 1883

RECEIVED BY: _____

INTRODUCED BY SENATOR MAGSAYSAY, JR.

**AN ACT
ESTABLISHING THE LIVELIHOOD AND TECHNOLOGY RELATED
LOAN CONDONATION ACT OF THE PHILIPPINES**

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

SECTION 1. Title - This Act shall be known as the **“Livelihood and Technology-Related Loan Condonation Act of 2004”**.

SEC. 2. Definition of Terms - Unless the context indicates otherwise, the following terms shall mean:

- a. Amortization - the amount to be paid by the borrower, which may include principal, interest, value-added tax (VAT), insurance premium and service fee;
- b. Amortization Schedule - the payment schedule showing amount of principal, interest, VAT, insurance premium, service fee and outstanding balances that is due at regular date interval within the loan term;
- c. Borrower - any individual or entity who availed of a livelihood or technology related loan from any government institution or agency involved in livelihood and technology-related program of the government;
- d. Collateral - the property or security offered to secure the amount of loan availed or granted;
- e. Livelihood Loan - financial or funding assistance extended by a government institution or agency involved in livelihood and technology-related programs of the government to individuals or groups, for the purpose of creating employment opportunities with the establishment of income-generating activities in the poverty/marginal industry sector;
- f. Loan Matured/Past Due Accounts - loans which remain outstanding after maturity date and loans declared due and demandable;
- g. Outstanding Balance - the balance of the account which may include the principal, interest, surcharges, penalties, additional interest and service fee as of the period indicated;
- h. Outstanding Principal - the balance of the loan granted;
- i. Penalty - the amount charged on loans that have matured or classified as past due;
- j. Principal - the amount of the loan granted;
- k. Real Estate - the titled land, all rights and interests thereto, and all emoluments, such as, buildings and other structures affixed to the land, to include condominium units;

- l. Regular Interest - interest charged based on the principal from date of release up to maturity date;
- m. Restructuring - an amendment to the existing terms of loan repayment;
- n. Restructured Amount - the amount to be restructured and which shall be composed of unpaid "principal and interest;"
- o. Surcharge - the amount charged on the unpaid amortization before the maturity date;
- p. Technology loan - financial or funding assistance extended by any government institution or agency involved in livelihood and technology-related programs of the government to individuals or groups with projects which utilizes the appropriate technology (refers to knowledge, tools and machines) for product manufacturing and delivery process application and rendering and delivery of services that leads to: (a) new/improved products/service; (b) increased productivity; and (c) enhanced competitiveness.

SEC. 3. Condonation Clause - All penalties and surcharges on all livelihood or technology-related loans from any government institutions and agencies involved in livelihood and technology-related programs of the government, including but not limited to the Technology and Livelihood Resource Center, Livelihood Corporation, Quedan and Rural Credit Guarantee Corporation, Small Business Guarantee and Finance Corporation, and People's Credit and Finance Corporation shall be condoned upon filing of the restructuring application under this Act: *Provided*, That all due and demandable arrearages composed of the principal and interest are restructured and paid within the prescribed repayment period.

In the event that a borrower is able to pay only part of his/her due and demandable arrearages, only the penalties corresponding to the portion paid shall be condoned.

SEC. 4. Restructuring of Delinquent Loans - The term of a livelihood and/or technology-related loan account being applied for restructuring may be extended for a period longer than its original term in order to lower the amount of the amortization due as may be determined by the government agency concerned for a period not exceeding five (5) years from the approval of the application, after which, the amount of amortization due will revert back to its original amount or whichever is higher. The unserviced portion ensuing from the extended period provided for in the restructuring shall be paid on the last year of the term of the livelihood and/or technology-related loan along with the last due amortization. In the event that the borrower fails to pay any amortization during the extended period granted, he/she shall voluntarily surrender his/her property without need of judicial proceedings;

- b. The interest rate for restructured amount shall be that of the interest rate stated in the promissory note or the interest rate prevailing at the time of the approval of the restructuring, whichever is higher.
- c. In case of incapacity of a borrower, his/her legal heirs and successor-in-interest may assume payment of his/her outstanding livelihood and/or technology-related loan; and

d. Loan restructuring under this Act may be availed of only once.

SEC. 5. Coverage - All due and demandable arrearages composed of the principal and the interest as of the effectivity of this Act shall be covered by this Act: *Provided, however,* That in no instance shall the following livelihood and/or technology related loan accounts be covered by this Act:

1. Any account without a single payment, which shall be equivalent to one amortization due payment, since loan take out; and
2. An account that has been foreclosed, the sheriff's certificate of sale had already been issued.

SEC. 6. Remedies Against Delinquent Accounts - The creditor-government agencies shall continue to exercise their right to foreclose properties covered by accounts excluded as provided for under Section 5 hereof or of delinquent accounts of borrowers who shall fail to avail of the benefits of this Act.

SEC. 7. Implementing Rules and Regulations - Within ninety (90) days from the effectivity of this Act, the Department of Finance, in consultation with the creditor-government agencies concerned, shall promulgate the rules and regulations necessary for the effective implementation of the provisions of this Act. Such rules and regulations shall take effect fifteen (15) days following the completion of its publication for two (2) consecutive weeks in a newspaper of general circulation.

SEC. 8. Repealing Clause - All laws, decrees, executive orders, rules and regulations, or any part thereof, inconsistent with any provision of this Act are hereby repealed or modified accordingly.

SEC. 9. Separability Clause - The provisions of this Act are hereby declared separable and, in the event any such provision is declared unconstitutional or invalid, the other provisions which are not affected thereby shall remain in force and effect.

SEC. 10. Effectivity - This Act shall take effect fifteen (15) days following its publication for two (2) consecutive weeks in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,