

**NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Third Regular Session**

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Senate
Office of the Secretary

24 JUL 23, A11 :20

SENATE

S.B. No. 2744

RECEIVED BY

INTRODUCED BY SENATOR RISA HONTIVEROS

AN ACT

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

EXPLANATORY NOTE

The Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) have several programs designed to provide the necessary credit to farmers and agrarian reform beneficiaries (ARBS) to support their farming activities. These include the Credit Assistance Program of the DAR, and the High Yield Crop Loan Assistance Program of the DA.

This bill seeks to mandate the one-time condonation of unpaid interests, penalties, surcharges and other penalties of agrarian and agricultural loans that have long burdened our farmers, fisherfolk, and ARBs. The bases for the condonation shall be limited to cases involving force majeure or market aberration. It shall not be applied to cases resulting from the willful deceit of the borrower to pay his or her loans. The condonation shall also be in conformity with the applicable general banking laws and regulations of the BSP.

The State must invest in agriculture to promote sustainable local production and comprehensive rural development. The lives of our farmers, fisherfolk and ARBs

must be uplifted. They must be given the opportunity to regain access to government and commercial credit facilities through the provisions of this bill.

The passage of this measure is thus earnestly sought.


RISA HONTIVEROS
Senator

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

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

1 SECTION 1. Short Title. – This Act shall be known as the "Agrarian and
2 Agricultural Loan Restructuring and Condonation Act."

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

10 SEC. 3. Definition of Terms. – As used in this Act:

11 (a) Agrarian reform beneficiaries refer to farmers who were granted lands
12 under Presidential Decree No. 27, known as the Emancipation of Tenants and Transfer
13 of Ownership of Land They Till, and Republic Act No. 6657, otherwise known as the
14 Comprehensive Agrarian Reform Law of 1988, as amended, and other existing

1 agrarian reform laws. These include regular farmworkers, irrespective of tenurial
2 arrangement, who benefited from the redistribution of lands, including their
3 organizations and cooperatives which have availed of the credit programs enumerated
4 in Section 5 hereof;

5 (b) Agricultural and agrarian reform credit refers to loans granted for
6 agricultural production; promotion of agricultural business and exports including, but
7 not limited to, the acquisition of work animals, farm equipment and machinery, seeds,
8 fertilizers, poultry, livestock, feeds construction, acquisition and repair of agricultural
9 facilities;

10 (c) Condonation refers to the relief granted by law in the payment of unpaid
11 interests, penalties and surcharges;

12 (d) Delinquent borrower refers to a borrower with at least three (3)
13 consecutive unpaid amortizations or whose total unpaid amortization has reached
14 twenty percent (20%) of the total outstanding balance of the loan regardless of the
15 number of unpaid amortizations as of the effectivity of this Act;

16 (e) Farmers refer to any natural person whose primary livelihood is the
17 cultivation of land or the production of agricultural crops, livestock, and agricultural
18 products, either by themselves or primarily with the assistance of their immediate farm
19 household or workers, whether the land is owned by them or by another person, under
20 a leasehold agreement or other similar arrangements;

21 (f) Fisherfolks refer to people directly or personally and physically engaged
22 in taking or culturing and processing fishery and/or aquatic resources;

23 (g) Force Majeure refers to events whether natural or political, beyond the
24 reasonable control of a loan borrower, which have a material adverse effect on the
25 ability of the borrower to pay an obligation;

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

29 (i) Loan restructuring refers to a process where the principal terms and
30 conditions of the original loan are modified in accordance with an agreement setting
31 forth a new plan or schedule of payment; and

1 (j) Terminated lending programs refer to lending programs instituted by the
2 government which are no longer existing and operational yet with intractable records
3 of loans.

4 SEC. 4. Condonation. – All unpaid interests, penalties, and surcharges of
5 agricultural and agrarian reform credit secured by farmers, fisherfolks, agrarian reform
6 beneficiaries, CDA-registered cooperatives, agrarian reform beneficiary organizations
7 and farmer organizations from the Department of Agrarian Reform (DAR), Department
8 of Agriculture (DA), People's Credit and Finance Corporation (PCFC), Cooperative
9 Development Authority (CDA), National Food Authority (NFA), and the Quedan and
10 Rural Credit Guarantee Corporation (QUEDANCOR) prior to the effectivity of this Act
11 are hereby condoned upon approval of the application for condonation of a borrower
12 qualified under this Act: Provided, That the bases for the condonation shall be limited
13 to cases involving force majeure or market aberration, and shall, in no case be applied
14 to cases resulting from the willful default of the borrower to pay such loans: Provided,
15 further, That accumulated payments of not less than two percent (2%) of the loan
16 principal shall have been paid at the time of application for condonation: Provided,
17 furthermore, That, a graduation process shall be followed in consonance with the plan
18 of payment, such that a borrower shall be granted a one-time condonation only to
19 encourage borrowing discipline and enhance credit worthiness: Provided, finally, That
20 the condonation of unpaid interests, penalties, and surcharges from loans acquired
21 through conduit banks, financial institutions, and the agencies mentioned above shall
22 be in conformity with the applicable general banking laws and regulations of the
23 Bangko Sentral ng Pilipinas (BSP).

24 This Act shall likewise apply to all unpaid interests, penalties, and surcharges
25 of agricultural and agrarian reform credit that will accrue in favor of the national
26 government, government agencies, or government-owned and -controlled
27 corporations in the event of abolition, dissolution, or cessation of existence of any of
28 the above entities where it was principally availed from.

29 SEC. 5. Coverage. – The following accounts are covered by the condonation
30 program:

31 (a) Agricultural and agrarian reform credit secured through the Credit
32 Assistance Program – Program Beneficiaries Development of the DAR;

1 (b) Agricultural and agrarian reform credit secured through the terminated
2 credit program schemes of the DAR, such as the Dutch Rural Development Assistance
3 Program (DRDAP), DAR Direct Lending Financing Program (DDLFP), DAR Special
4 Projects Office (SPO) Direct, and the SPO Window III Financing Program for Agrarian
5 Reform Beneficiaries of the DAR and the Development Bank of the Philippines;

6 (c) Loans secured under the Resettlement Loan Assistance Program of the
7 DAR for individual agrarian reform beneficiaries;

8 (d) Agricultural credit secured through the High Yield Crop Loan Assistance
9 Program of the DA;

10 (e) Agricultural credit secured through Microfinance Program for Small
11 Farmers and Fisherfolk and the Household of the PCFC;

12 (f) Loans secured under the Cooperative Development Loan Fund of the
13 CDA;

14 (g) Loans secured under the Farmers Level Grain Center of the NFA; and

15 (h) Loans secured under the Comprehensive Agrarian Reform Program –
16 Barangay Marketing Center (CARP BMC) and all agri-credit guarantee programs of
17 QUEDANCOR.

18 SEC. 6. Qualified Beneficiaries. – Delinquent farmers, fisherfolks, agrarian
19 reform beneficiaries, CDA-registered cooperatives, agrarian reform beneficiary
20 organizations and farmer organizations that secured agricultural and agrarian reform
21 credit under any of the accounts enumerated in Section 5 of this Act and who are
22 delinquent borrowers may apply for condonation of unpaid interests, penalties, and
23 surcharges with the concerned government agency or corporation.

24 SEC. 7. Approval of Application for Condonation. – The government agency or
25 corporation managing the accounts secured from the various programs and agencies
26 enumerated in Section 5 hereof shall review and approve an application for
27 condonation and loan restructuring. The period for payment of the restructured loan
28 shall be determined according to the financial capacity of the farmers, fisherfolks,
29 agrarian reform beneficiaries, CDA-registered cooperatives, agrarian reform
30 beneficiary organizations and farmer organizations upon the approval of the
31 application. The approval of an application for condonation shall serve as the basis for

1 the concerned government agency or corporation to write off the unpaid interests,
2 penalties, and surcharges condoned.

3 SEC. 8. Collection of Payment. – The annual collection from payments of loans
4 under the terminated credit programs as provided in Section 5(b) of this Act shall
5 accrue to the Agrarian Reform Fund and be remitted to the Bureau of Treasury.

6 SEC. 9. Restoration of Non-performing Loans to Good Standing Status. – Loans
7 restructured under this Act shall be restored to good standing status upon three (3)
8 consecutive payments by the borrower of the required periodic amortizations under
9 the restructured loan as determined. Upon satisfaction of the said condition,
10 government agencies may issue the appropriate certifications to the borrower thereby
11 facilitating their reintegration into the financial and banking system.

12 SEC. 10. Writing off of Loans from the Books of Terminated Lending Programs.
13 – The concerned agencies shall write off from their books the loans secured under
14 lending programs that have been terminated provided that the programs are clearly
15 identified, and the accounts involved are past due. The procedure for the writing off
16 of loans shall be provided for in the rules and regulations to be issued to implement
17 this Act.

18 SEC. 11. Implementing Rules and Regulations (IRR). – Within sixty (60) days
19 from the effectivity of this Act, the Secretary of the DAR shall, in consultation with the
20 secretaries and heads of offices of the DA, CDA, NFA, QUEDANCOR, the Agriculture
21 Credit Policy Council (ACPC) and the BSP promulgate rules and regulations for the
22 effective implementation of this Act.

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

26 SEC. 13. Separability Clause. – If any provision of this Act is declared
27 unconstitutional, the remainder of this Act or any provisions not affected thereby shall
28 remain in full force and effect.

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

31 Approved,