

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

011

10-01-2014

SENATE

S. NO. 423



---

Introduced by Senator Antonio "Sonny" F. Trillanes IV

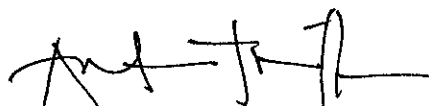
---

**EXPLANATORY NOTE**

Governors or mayors, with the approval of their local legislative bodies, in behalf of their localities, had been resorting to borrowings from banks or other lending institutions to finance certain projects with an amortization period for full payment extending even beyond their terms of office.

The practice makes their successors to office burdened with the obligation of paying the loans thereby already depriving the new elected officials of the needed funds to finance their own projects upon their assumption to office.

It is high time that we limit the amortization period of such loans to the term of office of the governor or mayor and approved by members of the local legislative bodies contracting them so that with this limitation, the borrowing chief executive and members of the board or council of the locality will be more concerned and obligated to pay the loan they contract during their term rather than pass on the obligation of paying it to their successors who in the first place should not be burdened with it.

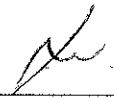


ANTONIO "SONNY" F. TRILLANES IV  
Senator

SENATE

S. NO. 423

RECEIVED



---

Introduced by Senator Antonio "Sonny" F. Trillanes IV

---

AN ACT  
LIMITING THE PERIOD OF AMORTIZATION OF LOANS CONTRACTED BY  
LOCAL GOVERNMENTS TO THE TERM OF OFFICE OF THE LOCAL  
EXECUTIVES CONCERNED, AND FOR OTHER PURPOSES

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

1           **SECTION 1. Declaration of Policy.** - It is the policy of the State to recognize certain  
2 needs of local governments to contract loan or incur financial obligation necessary for their  
3 development programs. It is equally the state's policy to ensure that the authority is exercised  
4 responsibly. Finally, it is the state's policy to provide the governors and mayors and their local  
5 legislative bodies the opportunity to fulfill their mandates with funds through fresh revenues  
6 undiminished by unpaid debt or financial obligation incurred by their predecessors.

7  
8           **SEC. 2. Loan/ Financial Obligation Amortized Before End of Term.** – Any provision of  
9 law to the contrary notwithstanding, loans or other financial obligations contracted in behalf of  
10 provinces, cities or municipalities by their respective governors or mayors and approved by their  
11 respective legislative bodies shall be amortized and paid in full not later than one month before  
12 the end of the term of office of said governors or mayors and members of the board or council  
13 who approved the contracting of the said loan or of incurring the financial obligation.

14  
15           **SEC. 3. Undertaking of Governors and Mayors on Loans.** - Banks, financing or lending  
16 institutions, local or foreign, lending money to provinces and cities or underwriting any financial  
17 obligation shall require the governor or mayor and the members of the legislative bodies  
18 approving the contracting of such loans or financial obligations to execute an undertaking that  
19 the province or city they represent shall amortize and pay in full the principal and interest  
20 including bank charges of the said loan or financial obligation not later than one (1) month  
21 before the end of the term of office of said governors, mayors and members of the legislative  
22 bodies approving them.

23

1           **SEC. 4. *Limitation on Amortization Deemed Stipulated*** - All loan agreements and  
2 financial obligations between the local governments and the lenders shall contain a stipulation  
3 that the entire loan together with interest and bank charges shall be amortized in full not later  
4 than one (1) month before the end of 24 the term of office of the mayor, governor and members  
5 of the legislative bodies who approved to contract them: Provided, However, that even without  
6 the incorporation of the stipulations in the covering documents on said loan or financial  
7 agreement, the same shall be deemed incorporated therein.

8  
9           **SEC. 5. *Effect of Non-Payment Upon Expiration of Term***. - If the loan and/ or its  
10 increment including interests is not paid in full before the end of the term of the office of the  
11 mayor or governor and members of the local legislative bodies who approved to contract the loan  
12 or incur the financial obligation, the province or city in whose behalf the said obligation is  
13 contracted shall be discharged from liability thereon and the unpaid amortization, if any, shall  
14 become the solidary liability of the said mayor or governor and members of the local legislative  
15 bodies who approved the contracting of said loan or incurring the financial obligation: Provided,  
16 However, that if the failure to amortize is due to the fault or negligence of the personnel of the  
17 mayor or governor or the local legislative bodies duty bound to make the necessary remittance or  
18 payment, the said personnel shall be solidarily liable with the said officials: provided, Finally,  
19 that the mayor or governor or members of the local legislative bodies who approved the  
20 contracting of said loans who fail to settle said obligation incurred during the term for which they  
21 were elected shall not be eligible to run for any public office until the financial obligation is fully  
22 paid.

23  
24           **SEC. 6. *Loans Covered***. - This Act shall apply to all loans contracted upon the effectivity  
25 hereof. Loans contracted prior to the effectivity hereof shall remain the obligation of the  
26 province or city but the governor or mayor shall strictly comply with the amortization payment  
27 provided for in the loan agreement with the lending bank, lending or financing institution.

28  
29           **SEC. 7. *Repealing Clause***. - All laws, decrees, executive orders and Republic Acts  
30 inconsistent herewith are hereby deemed repealed.

31  
32           **SEC. 8. *Effectivity***. - This Act shall take effect upon its approval.

Approved,