

Republic of the Philippines  
**DEPARTMENT of AGRARIAN REFORM**  
ELLIPTICAL ROAD, DILIMAN, QUEZON CITY • TELS. 928-7031 TO 39

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DAR ADMINISTRATIVE ORDER NO. 06  
Series of 2015

**SUBJECT: REVISED RULES AND PROCEDURES GOVERNING THE COMPLETION OF THE DOCUMENTATION AND PAYMENT OF LAND TRANSFER CLAIMS UNDER PRESIDENTIAL DECREE NO. 27 AND EXECUTIVE ORDER NO. 228**

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**PREFATORY STATEMENT**

The Department of Agrarian Reform (DAR) issued Administrative Order (AO) No. 2, Series of 1987 entitled, "Policy Guidelines and Procedures in the Implementation of Executive Order (EO) No. 228", DAR-Land Bank of the Philippines (LBP) Joint Memorandum Circular (JMC) No. 16, Series of 2009 entitled, "Amended List of Requirements for Land Transfer Processing and Payment of Landholdings Subjected to Operation Land Transfer (OLT) Pursuant to PD No. 27 and Executive Order (EO) No. 228 and Resolutions to Problems, Issues and Concerns On OLT-Covered Landholdings Which Were Already Distributed But Not Yet Documented/Paid (OLT-DNYD/DNYP) and Requirements for Lands Already Finally Surveyed, Previously Documented Per Parcellary Map Sketch Where Claim Folders are With Land Bank".

However, to address issues and concerns in the documentation and payment of OLT lands that emerged in the course of implementing the aforementioned guidelines, there is a need to further clarify some policies, mechanisms, and legal requirements for a uniform understanding and guidance of all concerned.

In view of the foregoing and pursuant to Presidential Decree (PD) No. 27, EO No. 228, Republic Act (R.A.) No. 6657, as amended, the following rules and regulations are hereby prescribed.

**Section 1. Coverage.** This AO shall cover privately owned tenanted rice and corn lands with (1) production data generated from the Barangay Committee on Land Production (BCLP), (2) a Landowner-Tenant Production Agreement (LTPA) executed prior to 18 August 1987, and/or (3) an Order of Placement (OP) issued prior to 18 August 1987.

Any privately-owned rice and corn land not with the abovementioned BCLP, LTPA, or OP, shall be acquired and distributed using the procedures stated under Administrative Order No. 7, Series of 2011, as amended, subject to its coverability under CARP.

**Section 2. Definition of Terms.** For purposes of this AO, the following terms are hereunder defined:

1. **Operation Land Transfer (OLT)** - refers to the government program for the transfer of private agricultural lands primarily devoted to rice and corn under a system of tenancy as of 21 October 1972, or the date of Order of Placement pursuant to PD No. 27 and EO No. 228.

2. ***Barangay Committee on Land Production (BCLP)*** – refers to the duly constituted committee to determine the Average Gross Production (AGP) of a landholding by land category in every barangay covered by operation land transfer (OLT) based on the three (3) normal crop years immediately preceding the promulgation of PD No. 27 on October 21, 1972.
3. ***Landowner-Tenant Production Agreement (LTPA)*** – refers to the agreement between the landowner and the tenant-farmer on the average gross production (AGP) of the landholding which should be within the normal production level in the barangay where the subject landholding is located during the three (3) normal crop years immediately preceding 21 October 1972 and approved by the Regional Director prior to 18 August 1987.
4. ***Order of Placement (OP)*** – refers to the Order issued by the DAR Regional Director placing the tenanted rice and corn lands after 21 October 1972 within the coverage of PD No. 27, provided that the land has been cultivated or under cultivation for at least three (3) consecutive agricultural years upon issuance of the Order of Placement prior to 18 August 1987.
5. ***Final Survey/Approved Survey Plan (FS/ASP)*** – refers to the survey of OLT areas delineating the actual area of tillage corresponding to the names of FBs and areas not covered by OLT with survey plan and lot technical descriptions approved by the Department of Environment and Natural Resources (DENR).
6. ***Final Survey Documents (FSD)*** – refer to the approved survey plan, lot technical description for the transferred and not-yet-transferred lots, DAR Order of Payment, Landowner's claim profile, and other documents (i.e., transfer action documents) that may be applicable as a result of the final survey in relation to the Parcellary Map Sketch (PMS) previously submitted to LBP.
7. ***Government Support Price (GSP)*** – refers to the buying price of a fifty (50) kilo per cavan of rice and corn approved by the then National Grains Authority now National Food Authority.
8. ***Land Valuation Summary and Farmer's Undertaking (LVSFU)*** – refers to a document signed by the FB reflecting his name, lot number, area covered, average gross production per cropping, gross land value, lease rentals paid to the landowner (LO), FB advance remittance to LBP, if any, and the net land value determined by DAR as basis in computing the farmer's amortization. It also includes the Farmer's Undertaking to pay LBP the amortization in accordance with EO 228, to pay the realty taxes due thereon, and to comply with the pertinent rules and regulations thereof.
9. ***Parcellary Map Sketch (PMS)*** – refers to the sketch map showing the estimated area of tillage of the farmers based on the ocular inspection of the land previously used as the basis of the LO's claims which were paid by Land Bank subject to claim folder adjustment based on the approved final survey documentation.
10. ***Subject to Challenge*** - refers to the LO's rejection or non-acceptance of the original valuation which resulted in the conduct of summary administrative proceedings with the Adjudicator concerned/Board or pendency of a just compensation case with the Special Agrarian Court (SAC), Court of Appeals, or Supreme Court.

**Section 3. Death of Original FB.** In case the original FB under a Certificate of Land Transfer or an OP dies prior to the issuance of the EP, the land shall be awarded to the successor selected in accordance with MC No. 19, Series of 1978.

However, if the original FB dies after the issuance of the EP, the Civil Code and the Rules of Court shall govern the succession proceedings. In such a case, to facilitate the OLT-CF processing, the DAR shall indicate as FB the "Heirs of the [deceased FB]". An Heir/s with written authority from the heirs of the deceased FB or a Court Order designating him/her/them as the administrator/s of the awarded land, may sign the LVS-FU for and in behalf of the heirs of the deceased FB.

**Section 4. Untitled Private Agricultural Lands (UPALs) Covered by OLT.** EPs previously issued over UPALs shall be respected and the LOs shall be compensated following the policy under DAR-DENR Joint Administrative Order (JAO) No. 3, Series of 2014, subject to compliance with documentary requirements and the just compensation formula under this A.O.

**Section 5. Computation of Valuation of Rice and Corn Lands Covered by P.D. No. 27/E.O. No. 228.** Valuation and LO compensation shall be computed by the LBP upon receipt of the CF based on the following formula:

$$LV = AGP \text{ per hectare} \times 2.5 \times \text{Government Support Price for a 50-kilo cavan of palay and corn, as the case may be}$$

The GSP to be used in the computation shall be based on:

- (1) Date of receipt of the CF by LBP, for landholdings not yet covered by a registered EP;
- (2) Date of EP registration for LHs covered by registered EPs<sup>1</sup>

In case the EPs covering lots of the same LH were registered on different dates, then the valuation of each lot shall be separately computed.

In case portions of the same LH are partially covered by registered EPs and partially without EPs, then the valuation of the lots shall also be separately computed.

**Section 6. Interest on the Valuation and LO's Compensation.** – In case EPs were issued before the LO compensation is deposited and booked in the name of the landowner, then an additional interest shall be imposed on the land valuation. The LBP shall determine the appropriate interest on the LO's compensation in accordance with the pertinent laws or Supreme Court jurisprudence/decisions.

**Section 7. Computation of the Amortization by Farmer-Beneficiaries.** The amortization by the FB shall be based on the AGP determined by the BCLP or LIPA-FU in accordance with this Administrative Order. The AGP per hectare shall be multiplied by two and a half (2.5) and the product thereof shall be multiplied by the government support prices for a 50-kilo cavan of palay and corn as of 21 October 1972 or the date of OP prior to 18 August 1987. It shall be amortized by the FBs for a period of twenty (20) years at six percent (6%) per annum with 2% rebate on interest for timely payments, pursuant to E.O. No. 228. The amortization shall start one (1) year from date of registration of EP.

<sup>1</sup> Pursuant to LBP vs Heirs of Angel Domingo (G.R. No. 168533, 4 February 2008)

**Section 8. Lease Rentals Credited as Advance Payment for the Land.** The lease rentals paid by the FB, as supported by receipts or other documentary evidence, to the LO after the date of EP registration shall be considered as advance payment of the FB amortization and shall be deducted from the LO compensation.

However, any payment made after 21 October 1972 or date of OP with respect to those tenanted after 21 October 1972 but prior to 18 August 1987, but before EP registration as supported by receipts or other documentary evidence, shall be considered as payment of lease rentals on the land.

**Section 9. Issuance of Certification of Deposit (COD).** Upon approval of the LO's claim by the LBP, it shall book and deposit the land valuation based on Section 5 hereof less the payment of lease rentals paid by the FB after the issuance and registration of the EP, if any, and issue a COD for the said amount to the DAR copy furnished the concerned LO or his/her heirs.

The LBP shall open one (1) Special Deposit Account (SDA) in the name of the LO, per land valuation worksheet.

**Section 10. Notice to the LO and Further Proceedings.** Upon receipt of the COD(s) in accordance with Section 9 of this AO, the DAR shall inform the LO in writing of the approved valuation through a Notice of Valuation (NOV).

**Section 11. Service of Notice of Valuation.** The NOV shall be served in the following manner:

- a. Personal Service: The NOV shall be served primarily by personally handing a copy thereof to the "person authorized to receive" as enumerated under Section 12 hereof. Personal service is effected when the person authorized to receive affixes his signature or thumb mark on the receiving copy of the NOV in the presence of a witness who also affixes his signature.

Personal service of the NOV shall be done by the Bureau of Land Tenure Improvement (BLTI) in the DAR Central Office if the last known address of the person authorized to receive it is within Metro Manila, or by the MARPO who has jurisdiction over the last known address of the person authorized to receive it, if living outside Metro Manila.

- b. Substituted Service: If the "person authorized to receive" is not present in his/her last known address, or refuses to receive the NOV, the MARPO shall immediately avail of substituted service and serve the NOV by leaving a copy of the NOV at the residence of the person authorized to receive it with some person of suitable age and discretion residing therein, or by leaving a copy of the NOV at the LO's office or regular place of business with some competent person in charge thereof.

The MARPO shall thereafter immediately prepare and send a Return of Service of the NOV to the PARPO concerned who has jurisdiction over the subject landholding the fact of completed/failed substituted service.

The PARPO shall thereafter immediately inform the BLTI the fact of substituted service and send it a copy of the NOV. The BLTI shall thereafter publish the NOV in accordance with Section 13 hereof.

- c. Extraterritorial Service: If upon diligent investigation, the MARPO who has jurisdiction over the subject landholding finds out that the last known addresses of all the persons authorized to receive the NOV is outside the territory of the Philippines, he shall then send a copy of the NOV to the abovementioned last known address abroad by registered mail.

The MARPO shall immediately prepare and send a Return of Service of the NOV to the PARPO concerned and request the latter for the publication of the NOV through the BLTI. The BLTI shall then cause the publication of the NOV in accordance with Section 13 hereof.

- d. Immediate Publication: If the address of the person authorized to receive it is unknown, or substituted person is not available, the MARPO who has jurisdiction over the subject landholding shall immediately file a written report as to the investigation made and the failure to know the address of the LO to the PARPO, and the latter shall send a copy of the NOV to the BLTI. The BLTI shall thereafter cause the publication of the NOV.

Immediate publication shall also be effected if the person authorized to receive the NOV is that stated in Section 12 (vii) (b) hereof. As such, the PARPO who has jurisdiction over the subject landholding shall also send a copy of the NOV to the BLTI. The BLTI shall thereafter publish the NOV in accordance with Section 13 hereof.

**Section 12. Persons Authorized to Receive the NOV.** Service of the NOV shall be made to the following persons:

- i. The LO who is a natural person – The NOV shall be served to the LO.
- ii. Co-owners – In case the LO of the landholding are multiple persons as co-owners, the NOV shall be served upon each and every registered co-owner, unless one is specifically authorized, in a written public document, to receive for the co-owners;
- iii. Minors – When the LO is a minor, service shall be made upon his/her father and/or mother, whoever has lawful custody of the said minor. If the LO has no parents, service shall be made upon his/her legal guardian if he/she has one, or, if none, upon his/her guardian *ad litem* whose appointment shall be applied for by the DAR;
- iv. Incompetents – When the LO is insane or otherwise incompetent, service shall be made upon his/her legal guardian if he/she has one, or, if none, upon his/her guardian *ad litem* whose appointment shall be applied for by the DAR;
- v. Entity without juridical personality – When the LOs who are persons associated through an entity without juridical personality are issued a NOV under the name by which they are generally or commonly known, service may be effected upon all the LOs by serving upon any one of them, or upon the person in charge of the office or place of business maintained in such name, provided that service shall not individually bind any person whose connection with the entity has, upon due notice, been severed before the proceeding was brought;

- vi. Domestic private juridical entity – When the LO is a corporation, partnership, or association organized under the laws of the Philippines with a juridical personality, service may be made on the president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel; and
- vii. Heirs of a deceased LO – When the LO has died prior to the service of the NOV, the NOV shall be served to:
  - a. if the settlement of the Estate is currently pending with the court, the Executor or the Administrator of the Estate; or
  - b. if the Estate is not pending with the court or if there is no executor or administrator, the NOV shall be served to all known heirs and shall also be published.

**Section 13. Publication of NOV.** If any of the circumstances under Sections 11 and 12 requires publication of the NOV, the NOV shall be published in a newspaper of general circulation.

NOVs required to be published shall be sent by the PARO concerned to the BLTI which shall be responsible for publishing the same. All NOVs sent to the BLTI for publication shall be published on regular periods.

Service by publication shall be evidenced by the affidavit of the editor-in-chief, or circulation/advertising manager, attesting to the fact of said publication and a copy of the said publication. The publication need not state the entire contents of the NOV but only the following essential particulars:

1. Coverage of the subject landholding under OLT;
2. OCT/ TCT/Latest Tax Declaration No/s. and corresponding area;
3. Complete name/s of the LO/s and last known address, if available;
4. Address or location of the subject landholding (barangay, city/municipality, province);
5. The fact that the landholding has been valued and that the LO can secure information of the details of the land value from the Office of the PARPO, stating therein the address of the DARPO.
6. The period for the LO to challenge the valuation.

**Section 14. Claims Subject to Challenge.** Pursuant to jurisprudence<sup>2</sup>, land transfer claims subject to challenge as defined under Section 2 (10) shall be computed by the Adjudicator concerned/Board or the courts in accordance with Section 17 of R.A. No. 6657<sup>3</sup> using the 3-factor or 2-factor formula whichever is applicable<sup>4</sup>.

<sup>2</sup> LBP vs Heirs of Angel Domingo (G.R. No. 168533, 4 February 2008); LBP vs Josefina Dumlaog, et al (G.R. No. 167809, 27 November 2008)

<sup>3</sup> In its original form if the valuation was challenged before 1 July 2009, or as amended by R.A. No. 9700 if the valuation was challenged on or after 1 July 2009. This is based on the Supreme Court decision in the case of LBP vs. Lajom (G.R. No. 184982, 20 August 2014).

<sup>4</sup> Based on Section 85 of DAR A.O. No. 7, Series of 2011, as amended

The said formula are stated below:

$$LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$$

Where: LV = Land Value

CNI<sup>5</sup> = Capitalized Net Income (based on land use and productivity)

CS = Comparable Sales

MV<sup>6</sup> = Market Value per Tax Declaration (based on Government assessment)

The CNI factor refers to the Income Capitalization Approach under the standard appraisal approaches which is considered the most applicable valuation technique for income-producing properties such as agricultural landholdings. Under this approach, the value of the land is determined by taking the sum of the net present value of the streams of income, in perpetuity, that will be forgone by the LO due to the coverage of his landholding under OLT.

The CS factor refers to the Market Data Approach under the standard appraisal approaches which is based primarily on the principle of substitution where a prudent individual will pay no more for a property than it would cost to purchase a comparable substitute property. However, should the valuation be challenged on or after 1 July 2009, the CS factor shall be determined by the use of 70% of the BIR zonal valuation.<sup>7</sup>

In the determination of CNI, CS, and MV, the AGP shall be based on the BCLP, while the pertinent market data shall be that as of the time the EPs were issued<sup>8</sup>, pro rata.

The valuation shall be subject to the interest stated in Section 6 hereof.

**Section 15. Generation of Claims Adjustment Folder (CAF) based on Final Survey Documents (FSD).** The DARPO shall submit the completed CAF based on FSD, as defined under Section 2 (6) hereof, to the LBP Head Office Agrarian Services Group, through the Agrarian Operation Center (AOC), for its processing and adjustment of landowners' compensation and FB's amortization schedules,

Should the area per FSD be different from the area per PMS, then the valuation shall be adjusted based on the area per FSD reckoned from the date of EP registration or date of receipt of the CAF whichever is applicable under Section 5 hereof.

A new NOV shall be served to the landowner in accordance with Sections 11, 12 and 13, hereof. The period to challenge the valuation, in such case, shall start from the receipt of the new NOV's.

**Section 16. Signatory to the LVS-FU in Behalf of Other Heirs of the Deceased FB.** In case the estate has no administrator and the Heirs have failed to appoint a representative, the PARPO shall immediately seek for the appointment by a court of an administrator for purposes of the processing and signing of the LVS-FU in behalf of or representing all the heirs.

<sup>5</sup> Factors enumerated in Section 17 of RA 6657, such as, the nature, actual use and income are considered in the determination of the CNI of a particular landholding.

<sup>6</sup> On the other hand, factors, such as, the tax declarations and assessment made by government assessors were considered in the determination of the MV factor.

<sup>7</sup> Pursuant to LBP vs. Lajom (G.R. No. 184982, 20 August 2014)

<sup>8</sup> Pursuant to LBP vs Heirs of Angel Domingo (G.R. No. 168533, 4 February 2008)

**Section 17. Certificate of Full Payment.** The LBP shall issue the corresponding Certificate of Full Payment (CFP) and Release of Real Estate Mortgage (ROREM) for fully paid land amortizations in accordance with this AO and Joint DAR-LBP Memorandum Circular No. 19, Series of 2013.

**Section 18. Transitory Provision.** This AO shall also apply to all OLT claims already at the LBP as follows:

1. Claims with initial valuation by the DAR and the LO's claim are already booked but remain unreleased; and
2. Claims that were revalued by LBP pursuant to DAR AO No. 1, 2010 which were not booked/deposited.

Section 14 shall apply to PD No. 27/EO No. 228 claims which revaluations pursuant to previous issuances, such as DAR AO No. 1, Series of 2010, were paid to the LO but is challenged within five years<sup>9</sup> from receipt of actual notification of the value.

**Section 19. Repealing Clause.** These Rules shall supersede and amend DAR A.O. No. 2, Series of 1987, DAR A.O. No. 13, Series of 1994, DAR-LBP JMC No. 16 2009, DAR A.O. No.1, Series of 2010, and other pertinent rules inconsistent herewith.

**Section 20. Separability Clause.** Any judicial pronouncement declaring as unconstitutional any provision or portion of this Administrative Order shall not affect the validity of the other provisions herein.

**Section 21. Effectivity Clause.** This Order shall take effect ten (10) days after its publication in two (2) newspapers of general circulation.

Diliman, Quezon City, 10 NOVEMBER 2015.

**VIRGILIO R. DE LOS REYES**  
Secretary

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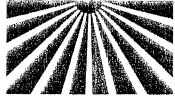
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<sup>9</sup> Based on Article 1149 of the Civil Code of the Philippines






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**CERTIFICATION**

This is to certify that Administrative Order No. 6, Series of 2015 entitled **“REVISED RULES AND PROCEDURES GOVERNING THE COMPLETION OF THE DOCUMENTATION AND PAYMENT OF LAND TRANSFER CLAIMS UNDER PRESIDENTIAL DECREE NO. 27 AND EXECUTIVE ORDER NO. 228”** was published today, 12 November 2015 in the Business World and Daily Tribune newspapers.

Issued this 12th day of November 2015 for whatever purpose it may serve.

  
**ERLINDA M. MANLUCTAO**  
OIC-Director IV, PAMRS