



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

ADMINISTRATIVE ORDER NO. 02
Series of 1997

SUBJECT : RULES AND REGULATIONS GOVERNING THE ACQUISITION OF PRIVATE AGRICULTURAL LANDS SUBJECT OF MORTGAGE OR FORECLOSURE OF MORTGAGE

I. PREFATORY STATEMENT

Section 25 of Republic Act No. 337 (General Banking Act) provides that acquired assets and mortgaged properties foreclosed by the mortgagor banks shall be disposed of within a period of five (5) years after foreclosure. Further, Section 71 of R.A. No. 6657 provides that "Banks and other financial institutions allowed by law to hold mortgage rights or security interests in agricultural lands to secure loans and other obligations of borrowers, may acquire title to these mortgaged properties, regardless of area, subject to existing laws on compulsory transfer of foreclosed assets and acquisition as prescribed under Section 16 of this Act." Furthermore, Section 72 (b) of R.A. No. 6657 provides that "Mortgages and other claims registered with the Register of Deeds shall be assumed by the government up to an amount equivalent to the landowner's compensation value as provided in this Act."

Pursuant to the aforecited provisions of law and in order to provide clarification on the agrarian reform program coverage of mortgaged and foreclosed assets, these guidelines are hereby issued.

II. COVERAGE

These guidelines shall cover all agricultural lands subject of mortgage or foreclosure of mortgage by banks, financial institutions and other persons, whether natural or juridical, holding registered mortgage rights over the said lands, and which, for purposes of these guidelines, shall be referred herein as the Creditor.

III. POLICY STATEMENT

A. For purposes of covering the properties under the agrarian reform program, a Creditor shall be considered as the landowner, under the following circumstances:



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"Tulong-tulong sa pagsulong"



1. When the title to the property is in the name of the Creditor; or
 2. When the affidavit of consolidation of ownership or affidavit of non-redemption of the property has been annotated on the title.
- B. The Creditor is considered a lien-holder and/or mortgagee if as of the date the land transfer claim was received by the Land Bank of the Philippines (LBP) from the Department of Agrarian Reform (DAR):
1. The mortgage on the property is still existing; or
 2. The mortgage on the property has been foreclosed and the period of redemption has not yet expired; or
 3. When there is as yet no consolidation of title of the mortgaged property even if the redemption has expired.
- C. Agricultural lands subject of foreclosure but whose redemption periods have not yet expired may either be offered by the registered owner through Voluntary Offer to Sell (VOS) or be covered under Compulsory Acquisition (CA). In either case, the DAR shall furnish the Creditor a copy of said offer or notice of coverage.
- D. Nothing in this Order shall be construed to delay the distribution of lands to the Agrarian Reform Beneficiaries once the Certificate of Deposit is issued by the LBP. The question as to whether the Creditor shall be considered a landowner or lien holder and/or mortgagee, will only affect who the recipients of the compensation for the land will be.

IV. RIGHTS AND PRIVILEGES

- A. As landowner, the Creditor is entitled, among others, to the following:
1. To receive all notices, advices, correspondence, and all other communications from the DAR and/or LBP, such as, but not limited to, Notice of Coverage, Notice of Valuation and Acquisition, Letter-Requirement for Processing and Payment of Claim, etc.
 2. To opt for compensation through either Voluntary Land Transfer/ Direct Payment Scheme or Land Bank Financing;
 3. To transact with DAR and/or LBP regarding all aspects of subject land transfer claim, to the exclusion of all other persons;
 4. To be named as the recipient of all cash and bond deposits; and

5. To receive all the proceeds of subject land transfer claim, less deductions such as realty tax delinquencies, etc.
- B. As lien-holder and/or mortgagee, the Creditor shall be entitled, among others, to the following:
1. To collect payment up to the extent of the obligation of the landowner-debtor (mortgagor); and
 2. To receive notices, advices, and all other communications pertaining only to the obligation of the landowner-debtor (mortgagor).

V. RESPONSIBILITIES

- A. As landowner, the Creditor shall:
1. Comply with all the requirements for processing and payment of the claim such as surrender of the Owner's Duplicate Copy of the Title; and
 2. Sign all land transfer documents required as a consequence of the processing and payment of the land transfer claim such as: Deed of Assignment, Warranties and Undertaking (DAWU), Deed of Transfer (DOT), Deed of Confirmation of Coverage and Transfer, etc.
- B. As lien holder and/or mortgagee, the Creditor shall:
1. Issue a release of mortgage, or execute a deed of redemption, and deliver the owner's duplicate copy of title in favor of the landowner-debtor (mortgagor) after the payment of the value of the lien; and,
 2. Sign all land transfer documents as may be required in connection with the payment of the obligation of the landowner-debtor (mortgagor).

VI. SUPPLEMENTARY APPLICATION

The procedures governing the acquisition, payment of compensation and distribution to the beneficiaries as outlined under DAR Administrative Order No. 02, Series of 1996 shall have supplementary effect.

VII. EFFECTIVITY

This Order shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation pursuant to Section 49 of R.A. No. 6657. All orders, memorandum, rules and regulations inconsistent herewith are hereby revoked, amended or modified accordingly

Diliman, Quezon City, FEBRUARY 11, 1997.


ERNESTO D. BARILAO
Secretary

Published in Two (2) national newspapers
of general circulation;

1. MALAYA
2. THE PHILIPPINE STAR

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