



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

ELLIPTICAL ROAD, DILIMAN, QUEZON CITY TELS. 928-70-31 TO 39

ADMINISTRATIVE ORDER NO. 02
SERIES OF 1998

**SUBJECT : REVISED IMPLEMENTING GUIDELINES AND PROCEDURES
GOVERNING PAYMENT OF LAND AMORTIZATION BY
AGRARIAN REFORM BENEFICIARIES (ARBs) FOR LANDS
COVERED UNDER E.O. NO. 229 AND R.A. 6657**

I. PREFATORY STATEMENT

These revised implementing guidelines and procedures are hereby promulgated in order to operationalize the payment of agrarian reform beneficiaries provided for in Section 12 of E.O. No. 229 and Section 26 of R.A. No. 6657.

II. COVERAGE

These guidelines and procedures shall cover payments to be made by ARBs of lands awarded pursuant to E.O. No. 229 and R.A. No. 6657.

III. LEGAL BASIS

This Administrative Order is issued in the light of Section 49 of R.A. No. 6657 to implement Section 12 of E.O. No. 229 and Section 26 of R.A. No. 6657.

Section 12 of E.O. No. 229 states:

“Payment of Beneficiaries. Land acquired and redistributed by the government shall be paid for by the beneficiaries in thirty (30) equal annual payments at six (6) percent per annum interest, with the first payment due one year after resale, and a two (2) percent interest rebate for amortizations paid on time, provided, that in no case shall the annual amortizations exceed ten (10) percent of the lands’ annual value of gross production. Should the amortization exceed ten (10) percent, the LBP shall reduce the interest rate and or reduce the principal obligation to make the repayments affordable. Incentives shall be given for prepayments.”

“The LBP shall have a lien by way of mortgage on the land acquired by the beneficiary and this mortgage may be foreclosed by the LBP when the outstanding principal balance unpaid and past due reaches the equivalent of three (3) annual amortizations.”



"Tulong-tulong sa pagsulong"



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On the other hand, Section 26 of R.A. No. 6657 provides:

“Payment of Beneficiaries. Lands awarded pursuant to this Act shall be paid for by the Beneficiaries to the LBP in thirty (30) annual amortizations at six percent (6%) interest per annum. The payments for the first three (3) years after the award may be at reduced amounts as established by the PARC: Provided, that the first five (5) annual payments may not be more than the five percent (5%) of the value of the annual gross production as established by DAR. Should the scheduled annual payments after the fifth year exceed ten percent (10%) of the annual gross production and the failure to produce accordingly is not due to the beneficiary’s fault, the LBP may reduce the interest rate or reduce the principal obligation to make the repayment affordable.

“The LBP shall have a lien by way of mortgage on the land awarded to the beneficiary; and this mortgage may be foreclosed by the LBP for non-payment of an aggregate of three (3) annual amortizations. The LBP shall advise the DAR of such proceedings and the latter shall subsequently award the forfeited landholding to other qualified beneficiaries. A beneficiary whose land, as provided herein, has been foreclosed shall thereafter be permanently disqualified from becoming a beneficiary under this Act.”

IV. DEFINITION OF TERMS

- A. **Cost of the Land** - refers to the amount paid or approved for payment to the landowner for the specific parcel of the land and permanent crops including land improvements (such as, but not limited to, irrigation canals, dikes, water impounding areas, etc.) thereon acquired and awarded to ARBs.
- B. **Annual Gross Production (AGP)** - means peso (PhP) value of the annual yield/produce per hectare of land awarded to farmer-beneficiaries {as established jointly by the Department of Agrarian Reform (DAR) and the Land Bank of the Philippines (LBP) during the valuation process} which is reflected in the valuation portion of the Claims Valuation and Processing Form.
- C. **Regular Amortization** - refers to the annuity based on the cost of the land at six percent (6%) interest rate per annum payable in 30 years.
- D. **Assistance to Farmers** - refers to (a) the difference between the regular annual amortization (based on the amount paid or approved for payment to the landowner) and the affordable amount during the first five (5) years after the award of the land to the ARBs where the affordable amount is lower than the regular amortization; and (b) the difference between the regular annual amortization and ten percent (10%) of the AGP during the 6th to the 30th year, whenever such 10% AGP is lower than the regular amortization.

- E. **Permanent Structures** - refers to structures permanently attached to the land such that moving or removing the same would cause great damage or would permanently destroy the structure. These structures are constructed and designed to meet the production, processing, warehousing and other needs of the farm (e.g., farm buildings, processing plants, warehouses, bridges, etc.)
- F. **Movables/Chattels** - refers to farm machineries and other related equipment which can be easily moved or transferred from one place to another (e.g., tractors, threshers, transport equipment, etc.). These items are necessary in the production, processing and marketing activities of the ARBs.
- G. **Land Bank of the Philippines (LBP)** - is a government financial institution created under R.A. No. 3844 to finance the acquisition of landholdings for distribution and resale to qualified agrarian reform beneficiaries.

V. POLICY STATEMENTS

- A. As a general rule, land awarded pursuant to E.O. No. 229 and R.A. No. 6657 shall be repaid by the ARB to the LBP in thirty (30) annual amortizations at six percent (6%) interest per annum. The annual amortization shall start one year from the date of registration of the Certificate of Land Ownership Award (CLOA).

Award of CLOA, for purposes of this Order, shall refer to:

1. Individual award, where the title is registered in the name of the individual ARB.
 2. Collective award, in cases where the CLOA is in the name of the cooperative or other form of collective organization or in the name of individual ARBs who are co-owners and who manifest their intention not to subdivide the land.
 3. CLOA/s which was/were previously awarded by the DAR collectively but subsequently re-titled and re-registered in the name of the individual ARBs.
- B. The payments by the ARBs shall be equivalent to two and one half percent (2.5%) of AGP for the first three (3) years; five percent (5%) of AGP for the fourth and fifth years; ten percent (10%) of AGP from the sixth to the thirtieth year; or regular amortization, whichever is lower.

- C. For lands acquired under E.O. No. 229 and R.A. No. 6657 without established AGP, the terms of repayment shall be as follows:
1. For lands planted to either perennial or short-term (seasonal) crops without previous AGP, the initial annual repayments by the ARBs shall be equivalent to 2.5%, 5.0%, or 10.0% (as the case may be) based on the cost of the land until such time the AGP has been established/determined.

The average of the first three (3) years production shall be the basis in establishing the permanent AGP. The previous years' amortization payment and all subsequent amortizations shall be adjusted on the basis of the permanent AGP established.
 2. For idle and abandoned lands, initial annual repayments shall be equivalent to 2.5%, 5.0% or 10.0% (as the case may be) based on the cost of the land until such time the AGP has been established/determined. The average of the first three years' production shall be the basis in establishing the AGP. The previous years' amortization payment and all subsequent amortizations shall be adjusted and based on the AGP established.
- D. For lands acquired under E.O. No. 407, as amended, the annual repayments shall be in accordance with Item V-B. If the AGP data cannot be determined, the payment by the ARBs shall follow Item V-C.
- E. For lands planted to commercial tree crops (e.g., gemelina, falcata, acacia mangium, etc.) without previous AGP, the annual repayments shall follow the provisions of Item V-C.
- F. For lands planted to naturally grown trees (e.g., narra, apitong, yakal, dao, etc.) the annual repayment by the ARB shall be based on the regular amortization.
- G. For lands planted to permanent crop improvements introduced by ARBs, lessee/s and/or third parties, the annual repayment shall be based on the remaining economic life of the trees at six percent (6%) per annum interest.
- H. The total value or transfer cost of the permanent structures and movables/chattels including road pavements and improvements shall be repaid annually by the ARBs at six percent (6%) per annum based on the assets' remaining useful life but not to exceed thirty (30) years. Repayment of these items shall not be covered by subsidy.
- I. Areas for common use by all ARBs such as, but not limited to, hacienda roads, nursery areas, etc., and which were awarded collectively to the ARBs, shall be repaid by the beneficiaries based on regular amortization. The amortization payment shall be shared proportionately or equally, as agreed upon in a collective agreement by the ARB/co-owners.

- J. In the case of lands covered by lease contract where advance lease rental was paid to the landowner, the balance of the unexpired portion of the advance rental shall be deducted from the cost of the land, and the difference shall be amortized by the ARBs.
- K. For homelots delineated per Approved Subdivision/Segregation Survey Plan (ASP), the annual repayments by the ARB from the first to the thirtieth year shall follow the amortization schedule of the land on which the homelot value was based.
- L. The DAR shall issue a separate Administrative Order on amortization for lands covered by a leaseback agreement.
- M. LBP shall formulate guidelines to assist ARBs affected by natural calamity or force majeure or delay in the ARBs takeover and such other circumstances. The assistance may include, among others, suspension of payment, deferment of payment or restructuring of account.
- N. The ARB may opt for the acceleration of amortization or immediate full payment of the total cost of the land.
- O. A rebate of two percent (2%) on interest due shall be granted to ARBs who pay on or before the due date of the amortization.
- P. The LBP shall have a lien by way of mortgage on the land, structures and chattels awarded to the beneficiary. Failure of the ARB to pay an aggregate of three (3) annual amortizations from date of receipt of amortization schedule, except where the cause of such failure to pay is brought about by natural calamity or force majeure, shall be a ground for foreclosure of the mortgage and in case of land amortization arrearages, permanent disqualification from becoming a beneficiary under R.A. No. 6657.

VI. PROCEDURES AND POLICIES

The LBP shall issue the necessary rules and regulations for the purpose of implementing these guidelines.

VII. REPEALING CLAUSE

This Administrative Order supersedes DAR Administrative Order No. 06, Series of 1993, and all other Orders, Memorandum Circulars, and other issuances inconsistent herewith.

VIII. EFFECTIVITY

This Administrative Order shall take effect ten (10) days after publication in two (2) national newspapers of general circulation pursuant to Section 49 of R.A. No. 6657.

Done this 5th day of February 1998 at Diliman, Quezon City.



ERNESTO D. GARILAO
Secretary

Published in Two (2) National Newspapers
of general circulation:

1. PHILIPPINE DAILY INQUIRER
2. MALAYA

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