



DAR ADMINISTRATIVE ORDER NO. 6
Series of 1993

SUBJECT: REVISED IMPLEMENTING GUIDELINES AND PROCEDURES GOVERNING PAYMENT OF LAND AMORTIZATION BY AGRARIAN REFORM BENEFICIARIES (ARBs)

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. 229 and Section 26 of R.A. 6657.

II. COVERAGE

These guidelines and procedures shall cover payments to be made by ARBs of lands awarded pursuant to E.O. 229 and R.A. 6657.

III. LEGAL BASIS

This Administrative Order is issued in the light of Section 49 of Republic Act 6657 to implement Section 12 of E.O. 229 and Section 26 of the said Act.

Section 12 of E.O. 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 land's 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."

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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.

On the other hand, Section 26 of R.A. 6657 provides:

"Payment by 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 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 land and permanent crops including improvements thereon acquired and awarded to ARBs.

B. Annual Gross Production (AGP) - means peso (P) value of the annual yield/produce per hectare of the 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 and permanent improvements at six percent (6%) interest rate per annum payable in 30 years. Other improvements shall be amortized on the basis of the remaining useful life of such improvements.

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, and; (b) the difference between the regular amortization and 10% of the AGP during the 6th to the 30th year whenever such 10% of AGP is lower than the regular amortization.

V. GENERAL GUIDELINES

A. As a general rule, land awarded pursuant to E.O. 229 and R.A. 6657 shall be repaid by the Agrarian Reform Beneficiary (ARB) to LANDBANK in thirty (30) annual amortizations at six (6%) percent interest per annum. The annual amortization shall start one year from date of Certificate of Landownership Award (CLOA) registration.

B. The payments by the ARBs for the first three (3) years shall be two and a half percent (2.5%) of AGP and five percent (5.0%) of AGP for the fourth and fifth years. To further make the payments affordable, the ARBs shall pay ten percent (10.0%) of AGP or the regular amortization, whichever is lower, from the sixth (6th) to the thirtieth (30th) year.

C. For lands acquired under E.O. 229 and R.A. 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% based on the cost of the land or 2.5% of imputed AGP, whichever is lower, until such time the AGP has been established/determined. For purposes of determining the basis of the initial repayments, the imputed AGP shall be determined using industry data obtained from government/ private entities in the barangay. In the absence thereof, AGP for the municipality, province or region in that order, shall be considered.

The average of the first three (3) years production shall be the basis in establishing the permanent AGP. The first three (3) years' amortization and all subsequent amortizations shall be adjusted and based on the permanent AGP established.

2. For idle and abandoned lands, initial annual repayments shall be equivalent to 2.5% 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 AGP. The first three (3) years' amortization and all subsequent amortizations shall be adjusted and based on the AGP established.

D. For lands acquired under E.O. 407, as amended, the annual repayments shall follow the provisions of Item V.B. If the AGP data can not be determined, the payment by the ARBs shall follow Item V.C.

E. The Department of Agrarian Reform (DAR) shall issue a separate Administrative Order on amortization for lands covered by a leaseback agreement.

F. LBP shall formulate guidelines to assist ARBs affected by natural calamity or force majeure which may include, among others, suspension of payment, deferment of payment or restructuring of account.

G. The farmer-beneficiary may opt for the acceleration of amortization or immediate full payment of the total cost of the land subject to the conditions on transferability as provided for in Section 27 of R.A. 6657.

H. A rebate of 2% on interest due shall be granted to farmer-beneficiaries who pay on or before the due dates of the amortization.

I. The LBP shall have a lien by way of mortgage on the land awarded to the beneficiary. Failure of the farmer-beneficiaries to pay an aggregate of three (3) annual amortizations, 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 permanent disqualification from becoming a beneficiary under R.A. 6657.

VI. PROCEDURES AND ACCOUNTING POLICIES

The LBP shall issue the prescribed procedures and accounting entries for the purpose of implementing these Guidelines.


VII. REPEALING CLAUSE

This Administrative Order repeals DAR Administrative Order No. 3, series of 1992, and all other orders, 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. 6657.

Done this 24th day of August 1993 at Diliman, Quezon City.


ERNESTO D. GARILAO
Secretary

Published on August 27, 1993

1. MALAYA
2. Phil. Times Journal

COMPARATIVE MATRIX ON FB AMORTIZATION
A.O. 3, S-1992 VS. REVISED A.O.
(In Pesos)

Particulars	Land Value Per Ha. (1)	AGP Per Ha. (2)	Total Regular Amortization (3)	A.O. 3, S-1992		Subsidy (3 - 6) (7)	Revised A.O.		Subsidy (3 - 10) (11)
				Year 1 to 5 a/ (4)	Year 6 to 30 Reg. Amort. b/ (5)		Year 1 to 5 a/ (8)	Year 6 to 30 (10% of AGP or Reg. Amort. whichever is lower (9)	
					Total (6)		Total (10)		
Rice (Irrigated) Sta. Rosa, R.E.	35,870.00	36,900.00	77,523.60	6,457.50	64,602.95	6,463.15	71,060.45	64,602.95 d/	6,463.15
C o c o n u t New Batac, Davao	14,754.00	4,050.55	32,155.80	708.85	26,796.51	4,650.44	10,835.22	10,126.30 e/	21,320.58
Rice (Unirrigated) Anilao, Iloilo	13,579.00	11,092.64	29,595.00	1,941.21	24,662.45	2,991.34	26,603.66	24,662.45 e/	2,991.34
S u g a r Concepcion, Parlac	25,975.00	33,342.00	56,611.80	5,834.25	47,176.31	3,600.64	53,011.16	47,176.31 d/	3,600.64
C o c o n u t Pataion, Zamboanga	17,385.00	5,417.20	37,870.00	948.02	31,574.98	5,366.99	32,525.01	948.02	14,491.22
C o r n Odiongcan, Rosblon	4,263.00	1,617.50	9,334.80	283.06	7,778.87	1,272.87	8,061.93	4,043.75 e/	5,007.99
C o c o n u t Davao	17,693.00	4,166.70	36,561.40	729.17	32,134.38	5,697.85	32,863.55	10,416.75 e/	27,415.48
C o c o n u t Rozas, Palawan	22,673.00	5,448.50	49,415.10	953.56	41,179.16	7,282.59	42,132.71	13,622.25 e/	14,575.81
C o r n Passi, Iloilo	9,613.00	7,746.00	18,771.60	1,268.40	15,645.10	1,860.10	16,911.50	13,643.10 d/	1,660.10
S u g a r Kabankalan, Negros	54,585.00	46,809.76	118,940.30	8,191.71	99,140.18	11,636.41	107,331.89	99,140.18 d/	11,636.41
Rice (Unirrigated) Odiongcan, Rosblon	4,443.00	1,800.90	9,683.40	315.00	8,069.47	1,298.93	8,384.47	4,500.00 e/	4,868.40

a/ 2.3% of the value of AGP for year 1 to 3
5.0% of the value of AGP for year 4 to 5

b/ Regular amortization from year 6 to 30 at 6% interest per annum for 30 years (DSF = .9726488)

c/ 10.0% of the value of AGP for year 6 to 30 or the regular amortization whichever is lower.

d/ Government assistance is limited to year 1 to 5 only. Amortization from year 6 to 30 is equivalent to the computed regular amortization since it does not exceed 10% of the value of the AGP.

e/ Government assistance is not only on year 1 to 5 but also on year 1 to 30 because the regular amortization exceeds the ceiling, hence 10% of AGP shall be applied.