



JOINT DAR-LBP
MEMORANDUM CIRCULAR NO. 13
Series of 1999

SUBJECT: Guidelines on the Restructuring and/or Refinancing of Loans Granted Under the Credit Assistance Program for Program Beneficiaries Development (CAP-PBD)

I. Background

The Department of Agrarian Reform (DAR) and the Land Bank of the Philippines (LBP) issued Memorandum Circular (MC) No. 26 Series of 1996 and Credit Group Memo Circular No. 97-001, respectively including the Joint DAR-LBP Memorandum Circular No. 29 Series of 1997 to provide directions and guidance to concerned field personnel on the implementation of the CAP-PBD. These issuances define the requirements and procedures for accreditation of ARB cooperatives/organizations, loan availment and evaluation and approval of projects. To date, a total of 124 projects with a total project cost of PhP 92.78 million have been funded under the Program involving 74 organizations/cooperatives in 65 agrarian reform communities (ARCs) in 36 provinces. This represents a 37% loan availment rate nationwide.

However, these guidelines did not take into consideration the issue of loan restructuring and/or refinancing of CAP-PBD-funded projects. Hence, the issuance of these supplemental guidelines. The formulation of this MC aims to facilitate the appraisal, processing and approval of application for loan restructuring and/or refinancing submitted to the Provincial, Regional and National Project Management Committees. These guidelines shall likewise be an addendum to the above-mentioned CAP-PBD-related issuances.

II. Policies

1. The restructuring and/or refinancing of CAP-PBD funded projects shall be allowed only under the following circumstances:
 - 1.1 The loan repayment default is caused by unfavorable events that are beyond the control of the borrower and which will adversely affect the project's cash flow and/or liquidity (i.e. natural calamities, fire, etc.).

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- 1.2 The borrower-organization/cooperative can no longer comply with the existing loan amortization schedule due to certain business reverses but still has the capacity to pay its obligation.
2. The following conditions shall govern restructured and/or refinanced loans:
 - 2.1 The loan restructuring and/or refinancing will improve the borrower-organization's/cooperative's ability to pay its loan obligation.
 - 2.2 As a general rule, the loan restructuring will not increase the amount of the Program's exposure apart from capitalized charges, which are not interest-bearing.
3. All applications for loan restructuring and/or refinancing shall be initially evaluated and approved by the concerned Provincial Project Management Committee (PPMC). The approving authority shall be the next higher level body which approved the original loan, to wit:

Amount of Approved Original Loan	Approving Authority
PhP 2 M and below	Regional Project Management Committee (RPMC)
Above PhP 2 M	National Project Management Committee (NPMC)

4. The following documents, together with the loan restructuring and/or refinancing proposal, should be submitted to the NTRC, through the Program Secretariat, for the issuance of the notice of confirmation (in cases where no additional funds are required) and/or fund transfer request (in cases of refinancing) to the LBP Head Office:
 - 4.1 Cooperative board resolution requesting for loan restructuring and/or refinancing
 - 4.2 PPMC/RPMC/NPMC resolutions approving the cooperative's application for restructuring and/or refinancing (whichever are applicable)
 - 4.3 Field validation report prepared by the concerned DAR field personnel and LBP account officer indicating other possible source/s of repayment

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4.4 Revised Credit Facilities Proposal

The loan restructuring and/or refinancing proposal should include the revised repayment plan supported by the project's cash flow to ensure the borrower-organization's/cooperative's capability to meet the loan amortizations under the new repayment term.

III. Procedures


The procedures for loan evaluation/approval as spelled out in Memorandum Circular No. 26 Series of 1996 shall apply to all CAP-PBD loan restructuring and/or refinancing applications, except the provision on the approving authority as stipulated in Item II-3 of these supplemental guidelines.

All orders, memoranda, circulars and issuances inconsistent herewith are hereby amended or repealed accordingly.

This Memorandum Circular shall take effect immediately.

Diliman, Quezon City, 22 JUNE 1999.


HORACIO R. MORALES
DAR Secretary


FLORIDO P. CASUELA
LBP President and
Chief Operating Officer