

EXECUTIVE ORDER NO. 228

(July 17, 1987)

**DECLARING FULL LAND OWNERSHIP TO QUALIFIED FARMER  
BENEFICIARIES COVERED BY PRESIDENTIAL DECREE NO. 27:  
DETERMINING THE VALUE OF REMAINING UNVALUED RICE AND  
CORN LANDS SUBJECT TO P.D. NO. 27; AND PROVIDING FOR THE  
MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODE  
OF COMPENSATION TO THE LANDOWNER**

WHEREAS, Presidential Decree No. 27; for purposes of determining the cost of the land to be transferred to the tenant-farmer; provided that valuation shall be determined by crop productivity;

WHEREAS, there is a need to complete Operation Land Transfer and accelerate the payment to the landowners of lands transferred to tenant-farmers; and

WHEREAS, there is also a need to maintain the financial validity of the Land Bank of the Philippines, the financing arm of the agrarian reform program of the government;

NOW THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by the Constitution, here order that:

SECTION 1. All qualified farmer beneficiaries are now deemed full owners as of October 21, 1972 of the land they acquired by virtue of Presidential Decree No. 27 (hereinafter referred to as P.D. No. 27).

SECTION 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, Series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.

Lease rentals paid to the landowner by the farmer beneficiary after October 21, 1972, shall be considered as advance payment for the land. In the event of dispute with the land owner regarding the amount of lease rental paid by the farmer beneficiary, the Department of Agrarian Reform and the Barangay Committee on Land Production concerned shall resolve the dispute within thirty (30) days from its submission pursuant to Department of Agrarian Reform Memorandum Circular No. 26, Series of 1973, and other pertinent issuances. In the event a party questions in court the resolution of the dispute, the landowner's compensation claim shall still be processed for payment and the proceeds shall be held in trust by the Trust Department of the Land Bank in accordance with the provisions of Section 5 hereof, pending the resolution of the dispute before the court.

SECTION 3. Compensation shall be paid to the landowners in any of the following modes, at the option of the landowners:

(a) Bond payment over ten (10) years, with ten percent (10%) of the value of the land payable immediately in cash, and the balance in the form of LBP bonds bearing market rates of interest that are aligned with 90-day treasury bills rates, net of applicable final withholding tax. One-tenth of the face value of the bonds shall mature every year from the date of issuance until the tenth year.

The LBP bonds issued hereunder shall be eligible for the purchase of government assets to be privatized.

(b) Direct payment in cash or in kind by the farmer-beneficiaries with the terms to be mutually agreed upon by the beneficiaries and landowners and subject to the approval of the Department of Agrarian Reform; and

(c) Other modes of payment as may be prescribed or approved by the Presidential Agrarian Reform Council.

SECTION 4. All outstanding Land Bank bonds that are retained by the original landowners-payee or by their heirs, are deemed matured up to on-twenty fifth (1/25) of their yearly face value from their date of issue to the date of this Executive Order and may be claimed by the original landowner-payee by surrendering the bonds to the Land Bank. The original landowner-payee may claim payment for the remaining unmatured period of the surrendered bonds under any of the modes of compensation provided in Section 3, subsections (a) (b) or (c) hereof.

In order to meet the financial requirements mentioned in this Section, the Central Bank shall remit to the Land Bank such sums as may be necessary from the Sinking Fund established by the Land Bank from the retirement of its bonds and other long-term obligations and which Sinking Fund is administered by the Central Bank:

Provided, however, That there is no change in maturity of other outstanding Land Bank bonds acquired and held by transferees from original bondholders.

The landowner is exempt from capital gains tax on the compensation paid to him under this Executive Order.

SECTION 5. In the event that the landowner does not accept payment of the compensation due him, his compensation shall be held in trust for him by the Trust Department of the Land Bank. The cash portion of the compensation and such portions that mature yearly shall be invested by the Trust Department only in government securities fully guaranteed by the Republic of the Philippines. All the net earnings of the investment shall be for the benefit of the landowner, his heirs or successors in interest.

The rights of the landowners may be exercised by his heirs upon his death.

SECTION 6. The total costs of the land including interest at the rate of six percent (6%) per annum with a two percent (2%) interest rebate for amortizations paid on time, shall be paid by the farmer-beneficiary or his heirs to the Land Bank over a period up to twenty (20) years in twenty (20) equal annual amortizations. Lands already valued and financed by the Land Bank are likewise extended a 20-year period of payment of twenty (20) equal annual amortizations. However, the farmer-beneficiary if he so elects, may pay in full before the twentieth year or may request the Land Bank to structure a repayment period of less than twenty (20) years if the amount to be financed and the corresponding annual obligations are well within the farmer's capacity to meet. Ownership of lands acquired by the farmer-beneficiary may be transferred after full payment of amortizations.

SECTION 7. As of the date of this Executive Order, a lien by way of mortgage shall exist in favor of the Land Bank on all lands it has financed and acquired by the farmer-beneficiary by virtue of P.D. No. 27 for all amortizations, both principal and interest, due from the farmer-beneficiary or a valid transferee until the amortizations are paid in full.

SECTION 8. Henceforth, failure on the part of the farmer-beneficiary to pay three (3) annual amortizations shall be sufficient cause for the Land Bank to foreclose on the mortgage.

SECTION 9. Thirty (30) days after final notice for payment to the defaulting tenant-farmer, a copy of which notice shall be furnished to the Department of Agrarian Reform, the Land Bank may foreclose on the mortgage by registering a certification under oath of its intent to foreclose with the Registry of Deeds of the city or province where the land is located attaching thereto: a copy of the final notice for payment; proof of service to the tenant-farmer and the Department of Agrarian Reform of the final notice for payment; and a certification that at least three (3) annual amortizations on the land or the sum thereof remain unpaid. The mortgage is deemed foreclosed upon registration of said documents with the Registry of Deeds.

In the event the defaulting tenant-farmer could not be served the final notice for payment, the Land Bank shall post the notice for payment in the town hall, public market and barangay hall or any other suitable place frequented by the public of the barangay where the defaulting tenant-farmer resides. A certification by the Land Bank to this effect will substitute for the proof of service of the final notice of payment for purposes of foreclosure.

The Register of Deeds of all cities and provinces are directed to have a separate registry book to enter all the requirements of foreclosure as provided herein.

SECTION 10. The tenant-farmer, or any of his compulsory heirs may lift the foreclosure within a period of two (2) years from its registration by paying the Land Bank all unpaid amortizations on the land with interest thereon of six percent (6%) per annum. In case of failure to lift the foreclosure within the said period, ownership of the land shall be deemed transferred to the Land Bank.

SECTION 11. The Land Bank, not later than three (3) months after its acquisition of the land, shall sell the foreclosed land to any interested landless farmer duly certified to as a bona fide landless farmer by the Department of Agrarian Reform of the barangay or the two closest barangays where the land is situated. The cost of the land is the unpaid amortizations due on the lands as of the date of the sale with interest thereon of six percent (6%) per annum. In the event that there is more than one interested buyer, the actual buyer shall be determined by lottery in the presence of all the buyers or their representatives and a representative of the Department of Agrarian Reform. The Deed of Conveyance executed by the Land Bank in favor of the farmer transferee shall be registered with the Register of Deeds of the city or province where the land is located. Ownership shall transfer to the farmer transferee only upon registration with the Registry of Deeds. The lien of the Land Bank by way of mortgage on the remaining unpaid amortizations shall subsists on the title of the transferee.

SECTION 12. The Land Bank, at least one (1) month prior to the sale, shall furnish the Department of Agrarian Reform with a notice of sale and shall post a similar notice in the town hall, public market and barangay hall or any other suitable place frequented by the public of the barangay where the property is located. The notice shall state the description of the property subject of the sale, the price, the date and place of sale.

SECTION 13. The National Land Titles and Deeds Registration Administration is hereby authorized to issue such rules and regulations as may be necessary relative to the registration with the Register of Deeds of all transactions/activities required herein taking into consideration the need to protect the integrity of the Torrens System, the interests of the parties and innocent third parties.

All transactions/activities and their corresponding documents that are registered with the Register of Deeds pursuant to the requirements of P.D. No. 27 and this Executive Order shall be free from all documentary stamps and registration fees.

SECTION 14. The Department of Agrarian Reform and the Land Bank are authorized to issue the additional implementing guidelines of this Executive Order which shall not be later than sixty (60) days from the date hereof.

SECTION 15. To ensure the successful implementation of the Agrarian Reform Program, an Agrarian Reform Operating Fund (Agrarian Fund) shall be set up by the National Government in the Land Bank. The amount of this Agrarian Fund, to be determined by the Government Corporation Monitoring and Coordinating Committee hereinafter referred to as GCMCC), will source the funding requirements for Land Bank to carry out the full implementation of this program which will include the net operating losses directly and indirectly attributable to this program and the credit facilities to farmers and farmers' organizations. Within thirty (30) days from the effectivity of this Executive Order, the Land Bank shall submit to the GCMCC its funding requirements for 1987. Thereafter, within sixty (60) days after the end of each calendar year, the Land Bank shall submit to the GCMCC an accounting of all drawings the Land Bank had made against the Fund. At the same time, it will also submit its prospective funding requirements for the current year for review and validation of the GCMCC. The amount approved by the GCMCC shall be deemed appropriate and the amount programmed for release in coordination with the Department of Finance, Budget and Management and the National Economic and Development Authority. Within thirty (30) days from GCMCC's approval, such funds shall be remitted to the Land Bank for credit to the Agrarian Fund.

SECTION 16. If any part of this Executive Order is declared invalid or unconstitutional, it shall not affect any other part thereof.

SECTION 17. All laws, presidential decrees, orders, letters of instructions, rules and regulations, and other issuances or parts thereof inconsistent with this Executive Order are hereby repealed or modified accordingly.

SECTION 18. This Executive Order shall take effect upon its signing and publication as provided by law.

DONE in the City of Manila, this 17th day of July, in the year of Our Lord, nineteen hundred and eighty-seven.