

September 28, 1987

DEPARTMENT ADMINISTRATIVE ORDER NO. 2/87
Series of 1987

9/30/87

SUBJECT : POLICY GUIDELINES AND PROCEDURES IN THE IMPLEMENTATION OF EXECUTIVE ORDER (EO) NO. 228

In the implementation of Executive Order No. 228, the following policy guidelines and procedures are hereby prescribed for the guidance of all concerned.

I. POLICY GUIDELINES

1. As of October 21, 1972, all qualified farmer-beneficiaries (FBs) are deemed full owners of the land they acquired by virtue of PD No. 27 and their rights and obligations as landowners start on that date. (Sec. 1, EO 228)
2. Valuation of rice and corn lands covered by PD 27 shall be based on the average gross production (AGP) determined by the Barangay Committee on Land Production (BCLP) in accordance with Department Memorandum Circular No. 26, series of 1973 and other related issuances and regulations of the Department of Agrarian Reform. The AGP per hectare shall be multiplied by two and a half (2.5) and the product thereof shall be multiplied by Thirty Five Pesos (P35.00) or Thirty One Pesos (P31.00), the government support prices for a 50-kilo cavan of palay and corn, respectively, as of October 21, 1972, to determine the value of the rice and corn lands that the FBs shall pay and the landowners shall receive as compensation.

In case there is no approved production data, the Municipal Agrarian Reform Officer (MARO) shall convene the BCLP in accordance with the procedures outlined under Department Memorandum Circular No. 9, series of 1977 to determine the AGP as of October 21, 1972. If the BCLP fails to convene, the MARO shall determine the AGP.

However, if the landowner and the tenant had already agreed on the production data, signed the Landowner Tenant Production Agreement-Farmer's Undertaking (LTPA-FU) and submitted these documents to DARCO as of August 18, 1987, when EO 228 took effect, such production agreement shall be the basis of land compensation.

3. In the case of rice/corn lands tenanted after October 21, 1972 and placed under OLT coverage pursuant to Department Memorandum Circular No. 2, series of 1978, the valuation of such lands and the amount of landowner's compensation and FB amortization shall be determined in accordance with EO No. 229. However, the valuation of rice/corn lands placed under OLT by virtue of an Order of Placement issued prior

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to August 18, 1987 shall be governed by the provisions of EO 228 and shall use the government support price at the time the Placement Order was issued.

4. Lease Rentals paid by FBs directly to the landowner or to the Land Bank of the Philippines (LBP) after October 21, 1972 shall be considered as advance payment for the land. (Sec. 2, EO 228)

5. The Land Bank shall compensate the landowner as follows: 10% in cash and the balance in LBP bonds payable over ten (10) years, bearing market rates of interest that are aligned with 91-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. (Sec. 3(a), EO 228)

The LBP bonds issued hereunder shall be eligible for the purchase of government assets to be privatized. (Sec. 3(a), EO 228)

6. Subject to the approval of the DAR, direct payment in cash or in kind to the landowner may be mutually agreed upon between the FBs and the landowners. (Sec. 3(b), EO 228)
The landowner may likewise avail of such other modes of payment as may be prescribed or approved by the Presidential Agrarian Reform Council (PARC). (Sec. 3(c), EO 228)
7. In the event that the payment/compensation is not acceptable to the landowner or should landowner fail to comply with LBP requirements, landowner compensation shall be held in trust for him by the Trust Department of the Land Bank. The cash portion of the compensation and such bonds that mature yearly shall be invested by the Trust Department only in government securities fully guaranteed by the Republic of the Philippines. The net earnings of the investment shall be for the benefit of the landowner, his heirs or successors in interest. (Sec. 5, EO 228)

The rights of the landowner may be exercised by his heirs upon his death. (Sec. 5, EO 228)

8. After LBP has paid the landowner for his land or has established a trust fund therefor, the FB or his heirs shall pay LBP the total cost of the land including interest at the rate of six percent (6%) per annum, with a two percent (2%) interest rebate for amortization paid on time, in twenty (20) equal annual amortizations. Lands already valued and financed by Land Bank are likewise extended a 20-year period of payment of twenty (20) equal annual amortizations. However, the FB, 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 pay. Ownership of lands acquired by the FB may be transferred after full payment of amortizations. (Sec. 6, EO 228)

9. As of August 18, 1987, a lien by way of mortgage in favor of the Land Bank exists on all lands it has financed and acquired by the FB by virtue of PD 27 to secure unpaid amortizations, both principal and interests, due from the FB or a qualified transferee until the amortizations are paid in full. (Sec. 7, EO 228) Failure on the part of the FB to pay three (3) annual amortizations shall be sufficient cause for the Land Bank to foreclose the mortgage. (Sec. 8, EO 228)
10. All transactions/activities and their corresponding documents that are registered with the Register of Deeds (ROD) pursuant to the requirements of PD 27 and EO 228 shall be free from all documentary stamps and registration fees. (Sec. 13, EO 228)

II. PROCEDURES

The following procedures shall be observed in the processing of the claim folder (CF) of landowner whose rice or corn land is covered by PD 27 and EO 228.

1. Within 20 days from the issuance of this Order, the Municipal Agrarian Reform Office (MARO) shall prepare a list of landholdings covered by PD 27 within his area of coverage and initiate the preparation of land transfer claims on landholdings with no CF.
2. The MARO shall accomplish and send to the landowner and FB concerned the final notification for submission of required records/documents to expedite processing of land transfer claims. [Refer to Annexes "A" and "B" for OLT Form No. C-23 (Landowner) and OLT Form No. C-24 (FB).]
3. The MARO shall within the same period, gather the following documents:
 - 3.1 Certified copy of approved Emancipation Patent Survey (EPS) Plan (final survey);
 - 3.2 Xerox copy of OCT/TCT in the name of landowner certified by ROD. If untitled, acceptable ownership documents shall be submitted;
 - 3.3 Approved BCLP Production Data by Barangay;
 - 3.4 Other documents contained in the List of Requirements for Land Transfer Payments. (Annex "J").
4. The MARO shall call upon LBP Field Representative to assist in the revalidation of data pertaining to the identified land, landowners, FBs and their respective farmholdings, and to prepare the Land Valuation Summary and Farmer's Undertaking (LVS-FU) to Pay LBP and to require the FBs to affix their signatures/thumbmarks thereon. [Refer to OLT Form No. C-25 (Annex "C").]

5. After the required documents (as indicated in section 3.1, 3.2 and 3.3) and the LVS-FU, have been completed by the MARO, the CF shall be forwarded to the Provincial Agrarian Reform Office (PARO) for review and evaluation, and for the completion of the supporting documents required under Annex "J". [Refer to OLT Form No. C-26 (Annex "D").]
6. If the documents cannot be completed due to non-cooperation of the landowner or some other valid causes, the PARO shall issue a certification to that effect. The PARO must see to it that all forms are properly accomplished before transmitting the CF to the Regional Agrarian Reform Office (RARO). [Refer to OLT Form No. C-27 (Annex "E").]
7. The RARO shall within 5 days from receipt of the CF, review, evaluate and analyze the same as to accuracy and completeness and determine whether or not the pertinent rules and regulations of DAR have been substantially complied with. Within 5 days, the RARO shall transmit the CF to the LBP Regional Manager (RM) for review and verification whether or not the subject land is encumbered or mortgaged. If the land is encumbered, the LBP RM shall negotiate with the mortgagee for the settlement of the outstanding loan obligation with LB bonds or the substitution of LB bonds as collateral security for the unpaid loan obligation.

If the mortgagee agrees, LBP RM shall require the mortgagee to sign agreement for the release of the real estate mortgage encumbrance upon payment of the obligation or substitution of LB bonds as collateral security.

If the mortgagee refuses to accept the offer of payment, the LBP RM must recommend that a trust fund be established in the name of the mortgagee with the Trust Department of LBP.

It is understood that the Land Bank will settle loan obligation only to the extent of the total value of the land.

Within 5 days from receipt of the CF, the LBP RM shall return the CF to the DAR Regional Director (RD) with his comment and recommendation.

Within 2 days from receipt of the CF, the RD shall continue the processing of the CF taking into consideration the comments and recommendation of LBP RM and to transmit the CF to the DARCO BLAD for final processing. [Refer to OLT Form No. C-29 (Annex "G").] The transmittal shall be accompanied with a Resolution signed by the RD which shall contain among others, the following: [Refer to OLT Form No. C-28 (Annex "F").]

- 7.1 Names of landowner/claimants
- 7.2 Description of the property
- 7.3 Crops planted and the Average Gross Production
- 7.4 Encumbrance/mortgage, if any
- 7.5 Names of FBs/EPS lot no./respective area
- 7.6 Land value/lease rentals paid/annual amortization
- 7.7 Others

8. DAR/BLAD shall review, evaluate and process the CF. If the CF is complete and in order, the BLAD shall prepare the Order for the signature of the Secretary. The Order shall contain, among others, the following: [Refer to OLT Form No. C-30 (Annex "H").]

- 8.1 Names of landowner/claimants
- 8.2 Description of the property
- 8.3 Crops planted and the Average Gross Production
- 8.4 Encumbrance/mortgage, if any
- 8.5 Names of FBs/EPS lot no./respective area
- 8.6 Land value/lease rentals paid/annual amortization
- 8.7 Others

However, if CF is incomplete due to landowner's failure to submit the required documents or refusal to accept compensation, the Order shall, nonetheless, direct LBP to pay by establishing a trust fund in the name of the landowner concerned with the Trust Department of LBP. For the establishment of such trust fund, it is sufficient that the requirements mentioned under paragraph II-5 hereof are complied with and submitted to LBP.

9. DAR/BLAD shall forward the CF together with the Order of the Secretary to the LBP Head Office. [OLT Form No. C-31 (Annex "I").]

For immediate compliance.

ORIGINAL SIGNED
PHILIP BELLA JUICO
Secretary

[Handwritten signature]