

JOINT MEMORANDUM CIRCULAR BY THE
DEPARTMENT OF AGRARIAN REFORM AND THE
LAND BANK OF THE PHILIPPINES

DEPARTMENT MEMORANDUM CIRCULAR NO. ¹³
066778

Series of 1978

TO : All SPIC Members, DAR Regional Directors, District Officers, Team Leaders, Other Fieldmen Concerned and LBP Branch Managers

SUBJECT : SOP ON SUPERVISED CREDIT UNDER THE FOOD AND AGRICULTURE ORGANIZATION/SPECIAL FUNDS FOR DEVELOPMENT PROJECTS (FAO/SFDP) GUARANTEE-CUM-RISK-FUND

1. General Terms and Conditions

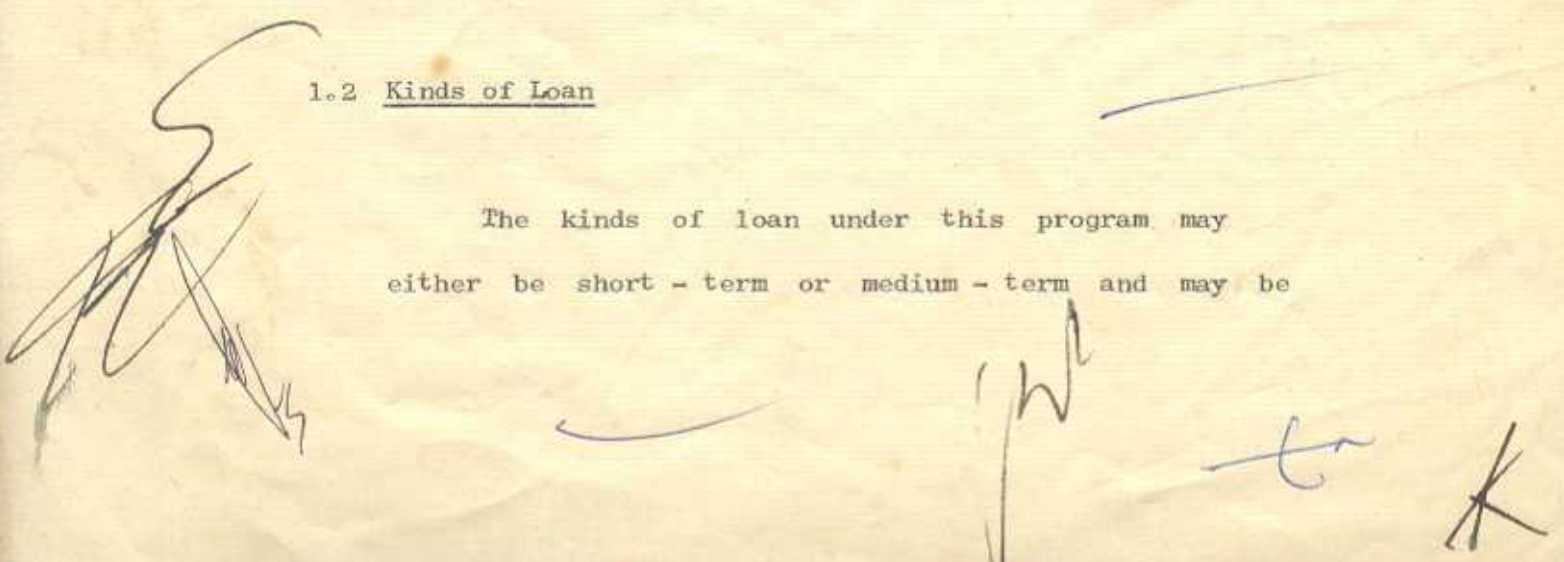
1.1 Participating Agencies

The granting of loans under this program shall be the responsibility of the Land Bank of the Philippines (LBP) which is governed by a Memorandum Agreement between said LBP and the Department of Agrarian Reform (DAR) and this Memorandum Circular.

The DAR shall make available to the LBP a Special Guarantee Deposit in the principal amount of ₱146,900.00 and all its income, interests and earnings.

1.2 Kinds of Loan

The kinds of loan under this program may either be short - term or medium - term and may be



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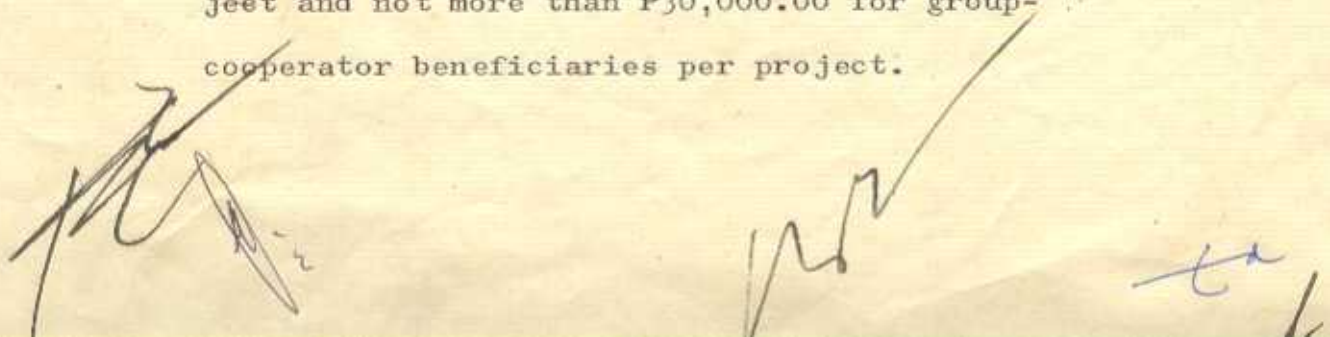
undertaken either individually or as a group by the cooperator-beneficiaries who should preferably be members of the Samahang Nayan (SN). Short-term loan refers to a loan which will mature within 24 months while medium-term loan refers to a loan that will mature beyond 24 months but not to exceed 60 months. Deferred payment plan or grace period not exceeding two (2) years may be allowed whenever deemed necessary based on the cash flow of the borrower.

1.3 Eligible Borrowers

Cooperator-beneficiaries identified and/or covered by the FAO/SFDP Field Action Projects (FAP) who will undertake agricultural projects in accordance with the policy guidelines of and endorsed by the National Coordinating Committee of the DAR (NCC) will be qualified to borrow under this program when duly endorsed as financially and economically viable by the NCC.

1.4 Loan Ceiling

The amount of loan that a cooperator-beneficiary may be entitled to borrow should not be more than P5,000.00 for individual loan per project and not more than P30,000.00 for group-cooperator beneficiaries per project.




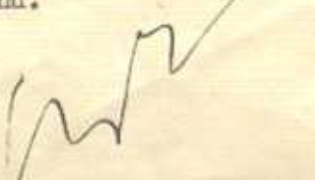

An individual loan of ₱5,000.00 may be availed of by individual SFPPG member to encourage individual initiative and generate additional income provided:

- 1) That the project is not the same ^{member's} undertaking as the group project but rather related or totally different and feasible;
- 2) That the individual project is sanctioned or consented to by the SFPPG; and
- 3) That the individual project will not prejudice the member's participation in the group project.

A group loan of ₱30,000.00 may be availed of by a particular Small Farmers and Peasants Production Group (SFPPG) irrespective of the number of members, duly recognized by the Sub-Project Implementing Committee (SPIC), to support a specific economic undertaking or project unanimously agreed upon by all the members of the concerned SFPPG and who are willing to participate in all activities inherent in the project. The group members will be responsible jointly and severally for the success of the project and of the loan.

In no case shall members of a particular SFPPG be allowed to organize themselves into small groups or sub-groups for purposes of borrowing.

It is understood, however, that the aggregate ceiling for all loans under this program shall be limited to a principal amount equivalent to ten (10x) times the current balance of the Special Guarantee Fund.



1.5 Interest Rates

Under this program the short and medium-term loans shall bear an interest of 10% per annum for group type of loans and 12% per annum for individual loans, payable annually for a maximum period of 2 and 5 years respectively.

1.6 Requirement

All loan applications are required to be accompanied by a project feasibility plan and budget prepared by the cooperator-beneficiaries with the assistance of the SPIC member concerned. The usual collateral requirements shall be dispensed with and shall be substituted instead by the guaranty herein provided and project feasibility plan and budget.

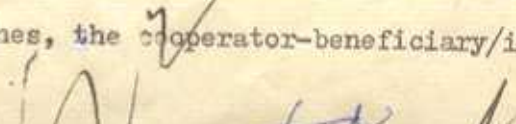
2. Operating Procedures

2.1 Processing and Approval of Loans

All loan applications, whether individual or group, short-term or medium-term, shall be supported with a Project Feasibility Plan and Budget prepared by the cooperator-beneficiary/ies assisted by the SPIC member concerned and recommended by the Group Organizer/Action Research Fellow (GO/ARF) for consideration by the SPIC.

(Attachment A)


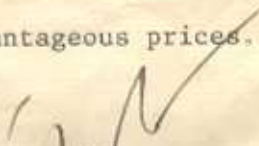
The SPIC shall screen and evaluate the loan applications and thereafter forward the same to the NCC. The NCC, with the assistance of a technical group further reviews and endorses to the LBP all financially and economically viable projects for consideration and approval if found to be in accordance with the guidelines of the DAR and the LBP. Approved loan applications shall be forwarded to the LBP Branch concerned who releases the amount of loan based on the project feasibility plan and budget on a staggered basis and according to the needs and progress of the project financed. In areas where there are no existing LBP branches, the cooperator-beneficiary/ies are



individual or group shall designate an authorized representative (by Special Power of Attorney) to withdraw the loan proceeds from the LBP Head Office.

2.2 Loan Collection


The collection of loans shall be the responsibility of the representative/s of the LBP in the areas where its Branches cover the FAP. In any case, the GO/ARF of the DAR, as well as other SPIC members, shall assist the LBP in the collection of loans by doing the following:


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- a) Inculcating a strong sense of credit consciousness and a high sense of responsibility and compliance to service obligations among cooperator-beneficiaries so that they will be aware of their obligations and their corresponding duty to repay the same to protect their credit standing and so that the amounts so repaid could be relent to other equally qualified/deserving cooperator-beneficiaries needing credit assistance.
 - b) Notify the BANK of any schedule/s of any harvests to be made by the cooperator-beneficiaries so that collectors from the BANK could be immediately sent to collect the loans.
 - c) Incorporating the loan repayment scheme in the Project Feasibility Plan and Budget and by reminding the cooperator-beneficiaries to pay their loans to the BANK immediately after harvest time or on due dates of the loans.
 - d) Arranging marketing tie-ups with the Area Marketing Cooperatives of the Samahang Nayons or the National Grains Authority or the Food Terminal, Inc. or any marketing outlets so that the products of the cooperator-beneficiaries could be brought and linked up with the different marketing outlets for sales at most advantageous prices.
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For compliance.

Quezon City, June 20, 1978


CONRADO F. ESTRELLA
Secretary
Department of Agrarian Reform
(DAR)


BASILIO ESTANISLAO
President
Land Bank of the Philippines
(LBP)
