GUIDELINES ON THE ISSUANCE OF CERTIFICATE OF FULL PAYMENT AND RELEASE OF REAL ESTATE MORTGAGE BY THE LBP TO AGRARIAN REFORM BENEFICIARIES

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In order to facilitate the issuance of Certificate of Full Payment (CFP) and Release of Real Estate Mortgage (ROREM) by the LBP to Agrarian Reform Beneficiaries (ARBs) who have fully paid their land amortizations, whether or not summary administrative proceedings or just compensation cases are pending, this Joint Memorandum Circular is hereby issued for the information and guidance of all concerned.

I. COVERAGE

These guidelines shall apply to ARBs who are:

a)

Awardees under R.A. No. 6657, as amended, who have fully paid the land amortizations and applicable interests to the LBP pursuant to Section 26 of this Act; and

b)

Awardees under Presidential Decree (P.D.) No. 27 who have fully paid the land amortizations and applicable interests to the LBP pursuant to Executive Order (E.O.) No. 228.

II. LEGAL BASES

a)

Section 26 of R.A. No. 6657, as amended, provides that lands awarded pursuant to this act shall be paid by the ARBs to LBP in thirty (30) annual amortizations at six percent (6%) interest per annum.

b)

Section 12 of Executive Order (E.O.) No. 229 states that lands acquired and redistributed by the government shall be paid for by the beneficiaries in thirty (30) equal annual payments at six percent (6%) per annum interest, with the first repayment due one year after resale, and a two percent (2%) interest rebate for amortizations paid on time, provided that in no case shall the annual amortizations exceed ten percent (10%) of the land's annual value of gross production. Should the amortization exceed ten percent (10%), the LBP shall reduce the interest rate and/or reduce the principal obligation to make the repayments affordable.

c)

Section 6 of E.O. No. 228 provides that the total cost of the land awarded pursuant to P.D. No. 27, 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 LBP over a period of up to twenty (20) years in

twenty (20) equal amortizations. Lands already valued and financed by the LBP 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 LBP to restructure 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.

d)

Section III, Item 2 of DAR AO No. 1, series of 2011 provides that the basis of the amortization by the farmer-beneficiary shall be the DAR valuation determined pursuant to PD 27/EO 228.

e)

Department of Justice (DOJ) Opinion No. 67, series of 2013 categorically states that "the Government shall subsidize the amount of the adjustment or increase as a result of the re-evaluation made by either the DARAB or the court in the administrative proceedings or just compensation case, respectively."

III. GENERAL GUIDELINES AND PROCEDURES IN THE DETERMINATION
OF THE LAND AMORTIZATIONS TO BE PAID BY THE ARBs

- For claims covered under R.A. No. 6657, as amended, the ARB shall pay the land amortizations based on the amount reflected in the Notice of Land Valuation and Acquisition (NLVA).

- For claims covered under PD 27/EO 228, the ARB shall pay the land amortizations based on the Land Valuation Summary and Farmer's Undertaking (LVSFU).

- For claims covered under PD 27/EO 228 where valuation is based on Parcellary Map Sheet (PMS), the DAR is required to first generate the Claims Adjustment Folder (CAF) or submit the Final Survey Documents (FSD) to LBP. Subsequently, LBP shall adjust the Land Amortization Schedule (LAS) for any increase or decrease in the total area acquired based on CAF or FSD before the CFP and ROREM may be processed.

- The amount of amortizations to be paid by the ARBs shall not be affected in case the DARAB or the courts award higher valuation than that initially determined by the DAR and LBP. The same principle shall apply even if the court uses a higher Average Gross Production (AGP) data. The amortization to be paid by the ARB shall be based on the original AGP provided for in the Land Amortization Schedule approved by LBP.

The intent and spirit of Sec. 26, RA 6657 is to enhance affordability and provide government subsidy to the ARBs which will not be affected by the increase in land valuation.

IV. ISSUANCE OF CERTIFICATE OF FULL PAYMENT
AND RELEASE OF REAL ESTATE MORTGAGE BY THE LBP

- If the ARB had fully paid the total amortizations based on Section III above, a CFP and ROREM shall be issued by LBP to the ARB for the purpose, among others, of requesting the Register of Deeds (ROD) for the cancellation or release of the lien/encumbrance previously annotated on the Emancipation (EP) or Certificate of Landownership Award (CLOA) titles.

- The CFP, which is integrated with the ROREM, shall be duly notarized and to be registered with the concerned Register of Deeds. (Please see attached format[*]).

- The LBP shall issue the prescribed operational procedures in accordance with the usual accounting and auditing rules and regulations.

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V. EFFECTIVITY

This Joint Memorandum Circular shall take effect immediately.

Metro Manila, 23 December, 2013.

(SGD) VIRGILIO R. DE LOS REYES
Secretary
Department of Agrarian Reform

(SGD) GILDA E. PICO
President & CEO
Land Bank of the Philippines

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[*] Text Available at the Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City

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