IMPLEMENTING GUIDELINES AND PROCEDURES GOVERNING PAYMENT OF LAND AMORTIZATION BY FARMER BENEFICIARIES PURSUANT TO SECTION 26 OF R.A. 6657

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I
Prefatory Statement

A. The following Implementing Guidelines and Procedures are hereby promulgated in order to operationalize the payment of farmer-beneficiaries as provided for in Section 26 of R.A. 6657.

II
Coverage

A. These guidelines and procedures shall cover payments to be made by farmer-beneficiaries of lands awarded pursuant to Section 26 of R.A. 6657.

III
Definition of Terms

A. Cost of the Land (CL) — refers to the amount paid to the landowner for the specific parcel of land and its improvements and permanent crops to be amortized by the farmer-beneficiaries.

B. Annual Gross Production (AGP) — means peso (P) value of the annual yield/produce per hectare of the land awarded to farmer-beneficiaries (as established jointly by the Department of Agrarian Reform (DAR) and the Land Bank of the Philippines (LBP) and defined under DAR A.O. No. 17) which is reflected in the valuation portion of the Claims Valuation and Processing Form.

C. Assistance to Farmers — refers to (a) the difference between the regular annual amortization (based on the amount paid to the landowner) and the affordable amount during the first five (5) years after the award of the land; and (b) the difference between regular amortization and 10% of the AGP in the event of calamity during the 6th to the 30th year.

D. Regular Amortization — refers to the annuity based on the cost of the land and improvement at 6% interest rate per annum payable in 30 years.

IV
General Guidelines

A. On the basis of the land value established pursuant to Executive Order No. 405 and the pertinent guidelines on land valuation, the farmer-beneficiaries shall make payments to the LBP in 30 annual amortizations at 6% interest per annum.

B. The payments for the first three (3) years after the award may be reduced to two and a half percent (2.5%), and for the fourth and fifth years at five percent (5%) pf the AGP. In case of natural calamity and/or force majeure or in any other instances when the failure to produce is not due to the fault of the farmer, anytime from the sixth to

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thirtieth year, the scheduled amortization payment during the year affected may not exceed 10% of the AGP.

The AGP, as established jointly by the DAR and the LBP during the valuation process, shall be based on the information contained in the valuation portion of the Claims Valuation and Processing Form.

C. The extent of the assistance to farmers shall refer to the difference between the regular annual amortization provided in item IV. A and the affordable payments during the first five (5) years as prescribed in item IV. B and in case of natural calamity or force majeure anytime from the sixth to the thirtieth year, the difference between the regular annual amortization and 10% of AGP, provided such 10% of AGP is lower than the regular amortization.

D. LBP shall be guided by Presidential Proclamations in declaring areas affected by natural calamity or force majeure.

E. The farmer-beneficiary may opt for the acceleration of amortization or immediate full payment of the total cost of the land subject to the conditions on transferability as provided for in Section 27 of R.A. 6657. A rebate of 2% on interest due shall be granted to farmer-beneficiaries who pay on or before the due date.

F. The LBP shall have a lien by way of mortgage on the land awarded to the beneficiary. Failure of the farmer-beneficiaries to pay an aggregate of three (3) annual amortizations, except where the cause of such failure to pay is brought about by natural calamity or force majeure, shall be a ground for foreclosure of the mortgage and permanent disqualification from becoming a beneficiary under R.A. 6657.

V
Procedures and Accounting Policies

The LBP shall issue the prescribed procedures and accounting entries for the purpose of implementing these Guidelines.

VI
Effectivity

This Administrative Order shall take effect ten (10) days after publication in two (2) national newspapers of general circulation pursuant to Section 49 of RA 6657.

Adopted: 11 Mar. 1992

(SGD.) BENJAMIN T. LEONG
Secretary

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