

[PRESIDENTIAL DECREE NO. 1817, January 16, 1981]

AMENDING SECTION SIXTY-TWO OF REPUBLIC ACT NUMBERED THREE THOUSAND EIGHT HUNDRED FORTY-FOUR, AS AMENDED, OTHERWISE KNOWN AS THE CODE OF AGRARIAN REFORMS OF THE PHILIPPINES.

WHEREAS, the farmer-beneficiary who has fully paid the cost of his farm and/or homelots to the Land Bank of the Philippines under Section Sixty-two of Republic Act Numbered Three Thousand Eight Hundred and Forty-Four, is legally enjoined from using said property as collateral for loans to be obtained from public or private lending institutions;

WHEREAS, under the existing provision, a farmer-beneficiary who is still amortizing the cost of his land is better situated than a beneficiary who has already paid in full the cost of the land for being given an opportunity to secure loans and credit assistance thru the use of the Certificate of Land Transfer (CLT) as collateral;

WHEREAS, the operative effects of such provision, besides being iniquitous on the part of the farmer-beneficiary who has fully paid for his land, could lead to a situation where a farmer-beneficiary would defer the full payment of the purchase price if only to enable him to use his landholdings as collateral for any loan that he intends to obtain thereby;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby order and decree:

SECTION 1. Section Sixty-two of Republic Act Numbered Three Thousand Eight Hundred and Forty-four, as amended, otherwise known as the Code of Agrarian Reform of the Philippines, is hereby amended to read as follows:

"Section 62. *Limitation of Land Rights.*—Except in hereditary succession by one heir, landholding acquired under this Code shall not be sold or transferred except in favor of the Government, valued at its acquisition cost plus cost of improvements. Said landholding may be mortgaged or encumbered in favor of any financing or banking institution up to the original cost of acquisition thereof to be guaranteed by the Samahang Nayan or duly recognized farmers cooperative where the farmer is a full-pledged member: *Provided*, That in case of default, the loan becomes immediately due and demandable and the mortgagor is given a grace period of one year within which to settle his obligation: *Provided, Further*, That in case of non-payment within one year grace period, the landholding shall be disposed of only in favor of the Government which shall endeavor to substitute the defaulting farmer-beneficiary preferable with a new one who does not own any land duly certified by the Ministry of Agrarian Reform and who shall be subrogated to the rights and shall assume the obligations of the replaced farmer-beneficiary, subject, however, to the preferential right of first refusal of the other heirs of the latter: *Provided, Further*, That a purchaser who acquired his landholding under a contract to sell from Land Bank, or has been issued an Order of