

**[ REPUBLIC ACT NO. 5939, June 21, 1969 ]**

**AN ACT AMENDING SECTIONS THREE, FOUR, FIVE, SEVEN, ELEVEN, FOURTEEN, SIXTEEN AND SEVENTEEN OF REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, AS AMENDED, OTHERWISE KNOWN AS THE RURAL BANKS ACT.**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. Section three of Republic Act Numbered Seven hundred twenty, as amended, otherwise known as the Rural Banks Act, is hereby amended to read as follows:

"SEC. 3. In furtherance of this policy, the Monetary Board of the Central Bank of the Philippines shall formulate the necessary rules and regulations governing the establishment and operation of Rural Banks for the purpose of providing adequate credit facilities to small farmers and merchants, or to cooperatives of such farmers or merchants, and to supervise the operation of such banks."

SEC. 2. Section four of the same Act, as amended, is hereby amended to read as follows:

"SEC. 4. No Rural Bank shall be operated without a Certificate of Authority of the Monetary Board of the Central Bank. Rural Banks shall be organized in the form of stock corporations. Duly established cooperatives may organize a Rural Bank and/or subscribe to the shares of stock of any Rural Bank. One hundred percent of the capital stock of any Rural Bank shall be owned and held directly or indirectly by citizens of the Philippines: *Provided, however,* That if said subscription of private shareholders to the capital stock of a Rural Bank cannot be secured or is not available, the Development Bank of the Philippines, on representation of the said private shareholders, and upon approval of the Monetary Board of the Central Bank, shall subscribe to the capital stock of such rural bank, which shall be paid in full at the time of subscription, in an amount equal to the fully paid subscribed capital of the private shareholders but not exceeding one million pesos: *Provided, further,* That such shares of stock subscribed by the Development Bank of the Philippines may be sold at any time at par to private individuals who are citizens of the Philippines: *Provided, finally,* That in the sale of shares of

stock subscribed by the Development Bank of the Philippines, the registered stockholders shall have the right of pre-emption within five years from the date of offer in proportion to their respective holdings, but in the absence of such buyer, preference, however, shall be given to residents of the locality or province where the Rural Bank is located. All members of the Board of Directors of the Rural Bank shall be citizens of the Philippines."

SEC. 3. Section five of the same Act, as amended, is hereby amended to read as follows:

"SEC. 5. Loans or advances extended by Rural Banks, organized and operated under this Act, shall be primarily for the purpose of meeting the normal credit needs of any small farmer or farm family owning or cultivating, in the aggregate, not more than fifty hectares of land dedicated to agricultural production, as well as the normal credit needs of cooperatives and small merchants. For the purposes of this Act, a small merchant shall be one whose capital investment does not exceed twenty-five thousand pesos. In the granting of loans, the Rural Bank shall give preference to the application of farmers and merchants whose cash requirements are small.

"Loans may be granted by rural banks on the security of lands without Torrens titles where the owner of private property can show five years or more of peaceful, continuous and uninterrupted possession in the concept of an owner; or of portions of friar land estates or other lands administered by the Bureau of Lands that are covered by sales contracts and the purchasers have paid at least five years installment thereon, without the necessity of prior approval and consent by the Director of Lands; or of portions of other estates under the administration of the Land Authority or other governmental agency which are likewise covered by sales contracts and the purchasers have paid at least five (5) years installment thereon, without the necessity of prior approval and consent of the Land Authority or corresponding governmental agency; or of homesteads or free patent lands pending the issuance of titles but already approved, the provisions of any law or regulations to the contrary notwithstanding: *Provided*, That when the corresponding titles are issued the same shall be delivered to the register of deeds of the province where such lands are situated for the annotation of the encumbrance: *Provided, further*, That in the case of lands pending homestead or free patent titles, copies of notices for the presentation of the final proof shall also be furnished the creditor rural bank and, if the borrower applicants fail to present the final proof within thirty days from date of notice, the creditor rural bank may do so for them at their expense: *Provided, furthermore*, That the applicant for homestead or free patent has already made improvements on the land and the loan applied for is to be used for further development of the same or for other productive economic activities: *Provided, finally*, That the appraisal and verification of the status of a land is the full responsibility of the rural bank and any loan