

**[DAR ADMINISTRATIVE ORDER NO. 02, s. 1998,
February 05, 1998]**

**REVISED IMPLEMENTING GUIDELINES AND PROCEDURES
GOVERNING PAYMENT OF LAND AMORTIZATION BY AGRARIAN
REFORM BENEFICIARIES (ARBS) FOR LANDS COVERED UNDER
E.O. NO. 229 AND R.A. 6657**

I. PREFATORY STATEMENT

These revised implementing guidelines and procedures are hereby promulgated in order to operationalize the payment of agrarian reform beneficiaries provided for in Section 12 of E.O. No. 229 and Section 26 of R.A. No. 6657.

II. COVERAGE

These guidelines and procedures shall cover payments to be made by ARBs of lands awarded pursuant to E.O. No. 229 and R.A. No. 6657.

III. LEGAL BASIS

This Administrative Order is issued in the light of Section 49 of R.A. No. 6657 to implement Section 12 of E.O. No. 229 and Section 26 of R.A. No. 6657.

Section 12 of E.O. No. 229 states:

"Payment of Beneficiaries. Land acquired and redistributed by the government shall be paid for by the beneficiaries in thirty (30) equal annual payments at six (6) percent per annum interest, with the first payment due one year after resale, and a two (2) percent interest rebate for amortizations paid on time, provided, that in no case shall the annual amortizations exceed ten (10) percent of the lands' annual value of gross production. Should the amortization exceed ten (10) percent, the LBP shall reduce the interest rate and or reduce the principal obligation to make the repayments affordable. Incentives shall be given for prepayments."

"The LBP shall have a lien by way of mortgage on the land acquired by the beneficiary and this mortgage may be foreclosed by the LBP when the outstanding principal balance unpaid and past due reaches the equivalent of three (3) annual amortizations."

On the other hand, Section 26 of R.A. No. 6657 provides:

"Payment of Beneficiaries. Lands awarded pursuant to this Act shall be paid for by the Beneficiaries to the LBP in thirty (30) annual

amortizations at six percent (6%) interest per annum. The payments for the first three (3) years after the award may be at reduced amounts as established by the PARC. Provided, that the first five (5) annual payments may not be more than the five percent (5%) of the value of the annual gross production as established by DAR. Should the scheduled annual payments after the fifth year exceed ten percent (10%) of the annual gross production and the failure to produce accordingly is not due to the beneficiary's fault, the LBP may reduce the interest rate or reduce the principal obligation to make the repayment affordable.

"The LBP shall have a lien by way of mortgage on the land awarded to the beneficiary; and this mortgage may be foreclosed by the LBP for non-payment of an aggregate of three (3) annual amortizations. The LBP shall advise the DAR of such proceedings and the latter shall subsequently award the forfeited landholding to other qualified beneficiaries. A beneficiary whose land, as provided herein, has been foreclosed shall thereafter be permanently disqualified from becoming a beneficiary under this Act."

IV. DEFINITION OF TERMS

A. *Cost of the Land* — refers to the amount paid or approved for payment to the landowner for the specific parcel of the land and permanent crops including land improvements (such as, but not limited to, irrigation canals, dikes, water impounding areas, etc.) thereon acquired and awarded to ARBs.

B. *Annual Gross Production (AGP)* — means peso (PhP) value of the annual yield/produce per hectare of land awarded to farmer-beneficiaries [as established jointly by the Department of Agrarian Reform (DAR) and the Land Bank of the Philippines (LBP) during the valuation process] which is reflected in the valuation portion of the Claims Valuation and Processing Form.

C. *Regular Amortization* — refers to the annuity based on the cost of the land at six percent (6%) interest rate per annum payable in 30 years.

D. *Assistance to Farmers* — refers to (a) the difference between the regular annual amortization (based on the amount paid or approved for payment to the landowner) and the affordable amount during the first five (5) years after the award of the land to the ARBs where the affordable amount is lower than the regular amortization; and (b) the difference between the regular annual amortization and ten percent (10%) of the AGP during the 6th to the 30th year, whenever such 10% AGP is lower than the regular amortization.

E. *Permanent Structures* — refers to structures permanently attached to the land such that moving or removing the same would cause great damage or would permanently destroy the structure. These structures are constructed and designed to meet the production, processing, warehousing and other needs of the farm (e.g., farm buildings, processing plants, warehouses, bridges, etc.)

F. *Movables/Chattels* — refers to farm machineries and other related equipment which can be easily moved or transferred from one place to another (e.g., tractors, threshers, transport equipment, etc.). These items are necessary in the production,