

[BATAS PAMBANSA BLG. 65, April 01, 1980]

AN ACT AMENDING FURTHER REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, AS AMENDED, OTHERWISE KNOWN AS THE "RURAL BANKS' ACT".

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. Section 3 of Republic Act No. 720, as amended, is hereby further 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 farmers and merchants, or to cooperatives of such farmers or merchants and, in general, to the people of the rural communities, and to supervise the operation of such banks."

SEC. 2. Section 4 of Republic Act No. 720, as amended, is hereby further 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 and corporations primarily organized to hold equities in Rural Banks may organize a Rural Bank and/or subscribe to the shares of stock of any Rural Bank subject to such rules as the Monetary Board may prescribe. With the exception of shareholdings of corporations organized primarily to hold equities in Rural Banks as provided for under Section 12-C of Republic Act No. 337, as amended, and of Filipino-controlled domestic banks, the capital stock of any Rural Bank shall be owned and held directly or indirectly by citizens of the Philippines. If subscription of private shareholders to the capital stock of a Rural Bank cannot be secured or is not available, or is insufficient to meet the normal credit needs of the locality, 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 or such amount as the Monetary Board may prescribe as may be necessary to promote and expand rural economic development: *Provided, however,* 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 one year 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: *Provided, however,* That no appointive or elective official, whether full-time or part-time, shall at the same time serve as officer of any Rural Bank except in cases where such service is incident to financial assistance provided by the Government or a government-owned or controlled corporation to the bank."

SEC. 3. Section 5 of the same Act 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 farmers or farm families owning or cultivating land dedicated to agricultural production as well as the normal credit needs of cooperatives and merchants. 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 concept of 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 Ministry of Agrarian Reform 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 Ministry of Agrarian Reform 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-applicant fail to present the final proof within thirty (30) 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 a full responsibility of the Rural Bank and any loan granted on any land which shall be found later to be within the forest zone shall be for the sole account of the Rural Bank to the exclusion of the Central Bank counterpart.

"The foreclosure of mortgages covering loans granted by Rural Banks and executions of judgments thereon involving real properties levied upon by

a sheriff shall be exempt from the publications in newspapers now required by law where the total amount of loan, including interests due and unpaid, does not exceed Ten Thousand Pesos (P10,000.00) or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions. It shall be sufficient publication in such cases if the notices of foreclosure and execution of judgment are posted in the most conspicuous area of the Municipal Building, the Rural Bank and the Barangay Hall where the land mortgaged is situated during the period of sixty days immediately preceding the public auction or execution of judgment. Proof of publications as required herein shall be accomplished by affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be attached with the records of the case: *Provided*, That when a homestead or free patent land is foreclosed, the homesteader or free patent holder, as well as his heirs shall have the right to redeem the same within two years from the date of foreclosure in the case of land not covered by a Torrens title or two years from the date of the registration of the foreclosure in the case of land covered by a Torrens title: *Provided, finally*, That in the case of borrowers who are mere tenants, the produce corresponding to their share may be accepted as security."

SEC. 4. Section 7 of the same Act is hereby amended to read as follows:

"SEC. 7. To provide supplemental capital to any Rural Bank until it has accumulated enough capital of its own or stimulate private investments in Rural Banks, the Development Bank of the Philippines shall, upon certification of the Monetary Board which shall be final, of the existence of such need, subscribe within thirty days to capital stock of any Rural Bank from time to time in an amount equal to the total equity investment of the private shareholders which shall be paid in full at the time of subscription but not exceeding one million pesos or such amount as the Monetary Board may prescribe as may be necessary to promote and expand rural economic development: *Provided, however*, That shares of stock issued to the Development Bank of the Philippines, pursuant to this section, may, at any time, be paid off at par and retired in whole or in part if, in the opinion of the Monetary Board, the Rural Bank has accumulated enough capital strength to permit retirement of such shares; or if an offer is received from private sources to replace the equity investment of the Development Bank of the Philippines with an equivalent investment or more in the equity of such Bank. In case of such retirement of stock or replacement of equity investments of the Development Bank of the Philippines, the registered private shareholders of the Rural Bank shall have the right of pre-emption within one year from date of offer in proportion to their respective holdings.

"Stock held by the Development Bank of the Philippines, under the terms of this section, shall be made preferred only as to assets upon liquidation and without the power to vote and shall share in dividend distributions not exceeding two percent thereof without preference: *Provided, however*, That if such stock of the Development Bank of the Philippines is sold to private shareholders, the same may be converted into common stock of the class provided for in section nine: *Provided, further*, That pending the amendment of the Articles of Incorporation of the Rural