

[PRESIDENTIAL DECREE NO. 122, January 29, 1973]

AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, OTHERWISE KNOWN AS THE "RURAL BANKS' ACT"

WHEREAS, there were pending before Congress prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, urgent banking measures proposing amendments to Republic Act No. 720, as amended, entitled "The Rural Banks' Act" which are essential to the national development program of the Government;

WHEREAS, an extensive survey and study of the banking and credit system had been undertaken for the purposes of assessing its adequacy in Philippine economic growth, and of facilitating the savings-investment process in development; and

WHEREAS, the result of the survey was an integrated set of recommendations which were accepted, with modifications by the monetary authorities, and made the basis of this Decree to enable rural banks to service the credit needs of small farmers and merchants in rural communities more effectively;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree the amendment of Republic Act No. 720, as amended, as follows:

SECTION 1. Section four of Republic Act Numbered Seven hundred twenty 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 and corporations primarily organized to hold equities in Rural Banks within a defined region, provided any such corporation is at least partly owned by residents of that particular region, may organize a Rural Bank and/or subscribe to the shares of stock of any Rural Bank. With the prior approval of the Monetary Board, the extent of the equity investment in any Rural Bank of corporations contemplated under this section shall not be subject to any Limitation, the provisions of existing laws to the contrary, notwithstanding. One hundred per cent 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 lay 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 lie 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 full-time appointive or elective public official shall at the same time serve as officer, director, legal counsel or consultant 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. 2. Section five 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 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 fifty 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 (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 the 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 shall be exempt from the publication in newspapers now required by law where the total amount of loan, including interests due and unpaid, does not exceed three thousand pesos (P3,000.00). It shall be sufficient publication in such cases if the notices of foreclosure are posted in at least three of the most conspicuous public places in the municipality and barrio where the land mortgaged is situated during the period of sixty days immediately preceding the public auction. Proof of publication as required herein shall be accomplished by affidavit of the sheriff or officer conducting the foreclosure sale and shall be attached with the records of the case: *Provided*, That when a homestead or free patent land is foreclosed, the homesteader or tree patent holder, as well as their heirs shall have the right to redeem the same within two years from the date of foreclosure in case of a land not covered by a Torrens title or two years from the date of the registration of the foreclosure in the case of a land covered by a Torrens title: *Provided, finally*, That in case of borrowers who are mere tenants the produce corresponding to their share may be accepted as security."

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

"**SEC. 6.** With the view to insuring balanced rural economic growth and expansion, Rural Banks may, within limits and conditions fixed by the Monetary Board, devote a portion of their loanable funds to meeting the normal credit needs of small business enterprises whose capital investment does not exceed fifty thousand pesos and of essential rural enterprises or industries, other than those which are strictly agricultural in nature."

SEC. 4. Section seven 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: *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 investments of the Development Bank of the Philippines with an