

**[DAR ADMINISTRATIVE ORDER NO. 02, s. 1997,
February 11, 1997]**

**RULES AND REGULATIONS GOVERNING THE ACQUISITION OF
PRIVATE AGRICULTURAL LANDS SUBJECT OF MORTGAGE OR
FORECLOSURE OF MORTGAGE**

I. PREFATORY STATEMENT

Section 25 of Republic Act No. 337 (General Banking Act) provides that acquired assets and mortgaged properties foreclosed by the mortgagor banks shall be disposed of within a period of five (5) years after foreclosure. Further, Section 71 of R.A. No. 6657 provides that "Banks and other financial institutions allowed by law to hold mortgage rights or security interests in agricultural lands to secure loans and other obligations of borrowers, may acquire title to these mortgaged properties, regardless of area, subject to existing laws on compulsory transfer of foreclosed assets and acquisition as prescribed under Section 16 of this Act." Furthermore, Section 72 (b) of R.A. No. 6657 provides that "Mortgages and other claims registered with the Register of Deeds shall be assumed by the government up to an amount equivalent to the landowner's compensation value as provided in this Act."

Pursuant to the aforecited provisions of law and in order to provide clarification on the agrarian reform program coverage of mortgaged and foreclosed assets, these guidelines are hereby issued.

II. COVERAGE

These guidelines shall cover all agricultural lands subject of mortgage or foreclosure of mortgage by banks, financial institutions and other persons, whether natural or juridical, holding registered mortgage rights over the said lands, and which, for purposes of these guidelines, shall be referred herein as the Creditor.

III. POLICY STATEMENT

A. For purposes of covering the properties under the agrarian reform program, a Creditor shall be considered as the landowner, under the following circumstances:

1. When the title to the property is in the name of the Creditor; or
2. When the affidavit of consolidation of ownership or affidavit of non-redemption of the property has been annotated on the title.

B. The Creditor is considered a lien-holder and/or mortgagee if as of the date the land transfer claim was received by the Land Bank of the Philippines (LBP) from the Department of Agrarian Reform (DAR):