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THIRTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

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Senate Bill No. 1956

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(Prepared by the Committee in substitution of S. No. 1324, taking into consideration H. No. 3356)

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**AN ACT**  
**ESTABLISHING REFORMS IN THE REGULATION OF RENTALS OF CERTAIN**  
**RESIDENTIAL UNITS, PROVIDING THE MECHANISMS THEREFOR AND FOR**  
**OTHER PURPOSES**

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

1           **SECTION 1. Short Title.** — This Act shall be known and cited as the "Rental  
2 Reform Act of 2005".

3           **SEC. 2. Declaration Of Policy.** — The State shall, for the common good,  
4 undertake a continuing program of urban land reform and housing which will make  
5 available at affordable cost decent housing and basic services to its citizens.

6           Toward this end, the State shall establish reforms in the regulation of rentals of  
7 certain residential units.

8           **SEC. 3. Monthly Rentals and Maximum Increases.** — Upon the effectivity of  
9 this Act until 31 December 2011, the monthly rentals of all residential units in the  
10 National Capital Region and other highly urbanized cities not exceeding Seven  
11 thousand five hundred pesos (P7,500.00) and the monthly rentals of all residential units  
12 in all other areas not exceeding Four thousand pesos (P4,000.00) shall not be  
13 increased annually by the lessor, without prejudice to existing contracts, by more than  
14 ten (10%) percent.

15           **SEC. 4. Definition of Terms.** — The following terms as used in this Act shall be  
16 understood as:

17           (a) "Rental" shall mean the amount paid for the use or occupancy of a residential  
18 unit whether payment is made on a monthly or other basis.

19           (b) "Residential unit" shall refer to an apartment, house and/or land on which  
20 another's dwelling is located and used for residential purposes and shall include not

1 only buildings, parts or units thereof used solely as dwelling places, boarding houses,  
2 dormitories, rooms and bedspaces offered for rent by their owners, except motels, motel  
3 rooms, hotels, hotel rooms, and those used for home industries, retail stores or other  
4 business purposes if the owner thereof and his or her family actually live therein and  
5 use it principally for dwelling purposes.

6 (c) "Immediate members of family of the lessee or lessor" for purposes of  
7 repossessing the leased premises, shall be limited to his or her spouse, direct  
8 descendants or ascendants, by consanguinity or affinity.

9 (d) "lessee" shall mean the person renting a residential unit.

10 (e) "Owner/Lessor" shall include the owner or administrator or agent of the owner  
11 of the residential unit.

12 (f) "Sublessor" shall mean the person who leases or rents out a residential unit  
13 leased to him by an owner.

14 (g) "Sublessee" shall mean the person who leases or rents out a residential unit  
15 from a sublessor.

16 **SEC. 5. Rental and Requirement of Bank Deposit.** — Rental shall be paid in  
17 advance within the first five (5) days of every current month or the beginning of the  
18 lease agreement unless the contract of lease provides for a later date of payment. The  
19 lessor cannot demand more than one (1) month advance rental. Neither can he  
20 demand more than two (2) months deposit which shall be kept in a bank during the  
21 entire duration of the lease agreement. Any and all interest that shall accrue therein  
22 shall be returned to the lessee at the expiration of the lease contract.

23 **SEC. 6. Assignment of Lease or Subleasing.** — Assignment of lease or  
24 subleasing of the whole or any portion of the residential unit, including the acceptance  
25 of boarders or bedspacers, without the written consent of the owner/lessor is prohibited.

26 **SEC. 7. Grounds for Judicial Ejectment.** — Ejectment shall be allowed on the  
27 following grounds:

28 (a) Assignment of lease or subleasing of residential units in whole or in part,  
29 including the acceptance of boarders or bedspacers, without the written consent of the  
30 owner/lessor;

31 (b) Arrears in payment of rent for a total of three (3) months: *Provided*, That in  
32 the case of refusal by the lessor to accept payment of the rental agreed upon, the  
33 lessee may either deposit, by way of consignment, the amount in court, or with the city

1 or municipal treasurer, as the case may be, or in a bank in the name of and with notice  
2 to the lessor, within one month after the refusal of the lessor to accept payment.

3 The lessee shall thereafter deposit the rental within ten (10) days of every current  
4 month. Failure to deposit the rentals for three (3) months shall constitute a ground for  
5 ejectment.

6 The lessor, upon authority of the court in case of consignment or upon joint  
7 affidavit by him and the lessee to be submitted to the city or municipal treasurer and to  
8 the bank where deposit was made, shall be allowed to withdraw the deposits;

9 (c) Legitimate need of the owner/lessor to repossess his or her property for his or  
10 her own use or for the use of any immediate member of his or her family as a residential  
11 unit: *Provided, however,* That the lease for a definite period has expired: *Provided,*  
12 *further,* That the lessor has given the lessee formal notice three (3) months in advance  
13 of the lessor's intention to repossess the property and: *Provided, finally,* That the  
14 owner/lessor is prohibited from leasing the residential unit or allowing its use by a third  
15 party for a period of at least one year from the time of repossession;

16 (d) Need of the lessor to make necessary repairs of the leased premises which is  
17 the subject of an existing order of condemnation by appropriate authorities concerned in  
18 order to make the said premises safe and habitable: *Provided,* That after said repair, the  
19 lessee ejected shall have the first preference to lease the same premises: *Provided,*  
20 *however,* That the new rental shall be reasonably commensurate with the expenses  
21 incurred for the repair of the said residential unit and: *Provided, finally,* That if the  
22 residential unit is condemned or completely demolished, the lease of the new building  
23 will no longer be subject to the aforementioned first-preference rule in this subsection;  
24 and

25 (e) Expiration of the period of the lease contract.

26 **SEC. 8. Prohibition Against Ejectment by Reason of Sale or Mortgage. —**

27 No lessor or his successor-in-interest shall be entitled to eject the lessee upon the  
28 ground that the leased premises have been sold or mortgaged to a third person  
29 regardless of whether the lease or mortgage is registered or not.

30 **SEC. 9. Rent-to-Own Scheme. —** At the option of the lessor, he or she may

31 engage the lessee in a written rent-to-own agreement that will result in the transfer of  
32 ownership of the particular dwelling in favor of the latter. Such an agreement shall be  
33 exempt from the coverage of Section 3 of this Act.

1           **SEC. 10. *Application of the Civil Code and Rules of the Court of the***  
2 ***Philippines.*** — Except when the lease is for a definite period, the provisions of  
3 paragraph (1) of Article 1673 of the Civil Code of the Philippines, insofar as they refer to  
4 residential units covered by this Act, shall be suspended during the effectivity of this Act,  
5 but other provisions of the Civil Code and the Rules of Court on lease contracts, insofar  
6 as they are not in conflict with the provisions of this Act shall apply.

7           **SEC. 11. *Coverage of this Act.*** — All residential units in the National Capital  
8 Region and other highly urbanized cities the total monthly rental for each of which does  
9 not exceed Seven thousand five hundred pesos (P7,500.00) and all residential units in  
10 all other areas the total monthly rental for each of which does not exceed Four thousand  
11 pesos (P4,000.00) as of the effectivity date of this Act shall be covered, without  
12 prejudice to existing contracts.

13           **SEC. 12. *Penalties.*** — A fine of not less than Five thousand pesos (P5,000.00)  
14 nor more than Fifteen thousand pesos (P15,000.00) or imprisonment of not less than  
15 one (1) month and one (1) day to not more than six (6) months or both shall be imposed  
16 on any person, natural or juridical, found guilty of violating any provision of this Act.

17           **SEC. 13. *Information Drive.*** — The Department of the Interior and Local  
18 Government and the Housing and Urban Development Coordinating Council, in  
19 coordination with other concerned agencies, are hereby mandated to conduct a  
20 continuing information drive about the provisions of this Act.

21           **SEC. 14. *Transitory Provision.*** — The Housing and Urban Development  
22 Coordinating Council and its attached housing agencies are hereby mandated to  
23 formulate within six (6) months from effectivity hereof, a transition program which will  
24 provide for safety measures to cushion the impact of a free rental market.

25           **SEC. 15. *Separability Clause.*** — If any provision or part hereof is held invalid  
26 or unconstitutional, the remainder of the law or the provision not otherwise affected shall  
27 remain valid and subsisting.

28           **SEC. 16. *Repealing Clause.*** — Any law, presidential decree or issuance,  
29 executive order, letter of instruction, administrative order, rule or regulation contrary to  
30 or inconsistent with, the provisions of this Act is hereby repealed, modified or amended  
31 accordingly.

32           **SEC. 17. *Effectivity Clause.*** — This Act shall take effect after fifteen (15) days  
33 following its complete publication in at least two (2) newspapers of general circulation.

Approved,