



REPUBLIC ACT NO. 9161

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

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

Section I. Short Title. ~ This act shall be known and cited as the “Rental Reform Act of 2002”.

Section II. Declaration of Policy. ~ The State shall, for the common good, undertake a continuing program of urban land reform and housing which will make available at affordable cost, decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas.

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

SEC. 3. Monthly Rental and Maximum Increases. ~ Beginning 01 January 2002 and for the duration of three (3) years thereafter ending on 31 December 2004, the monthly rentals of all residential units in the National Capital Region and other highly urbanized cities not exceeding Seven Thousand Five Hundred Pesos (P7,500.00) and the monthly rentals of all residential units in all areas not exceeding Four thousand pesos (P4,000.00) shall not be increased annually by the lessor, without prejudice to existing contracts, by more than ten (10%) percent.

SEC. 4. Definition of Terms. – The following term as used in this Act shall be understood as:

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

b) “Residential Unit” shall refer to an apartment, house and/or land on which other’s dwelling is located and used for residential purposes and shall include not only buildings, parts or units thereof used solely as dwelling places, boarding houses, dormitories, rooms and bedspaces offered for rent by their owners, except motels, motel rooms, hotels, hotel rooms, but also those used for home industries, retail stores or other business purposes if the owner thereof and his or her family actually live therein and use it principally for dwelling purposes.

c) “Immediate members of family of the lessee or lessor” for purposes of processing the leased premises, shall be limited to his or her spouse, direct descendants or ascendants, by consanguinity or affinity.

d) “Lessee” shall mean the person renting a residential unit.

e) “Owner/Lessor” shall include the owner or administrator or agent of the owner of the residential unit.

f) “Sublessor” shall mean the person who leases or rents out a residential unit leased to him by an owner.

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

h) "Assignment of lease" shall mean the act contemplated in Article 1649 of the Civil Code of the Philippines.

SEC. 5. Rental and Deposit. ~ Rental shall be paid in advance within the first five (5) days of every current month or the beginning of the lease agreement unless the contract lease provides for a later date of payment. The lessor cannot demand more than one (1) month advance rental and two (2) months deposit.

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

SEC. 7. Grounds for Judicial Ejectment. ~ Ejectment shall be allowed on the following grounds:

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

b) Arrears in payment of rent for a total of three (3) months: Provided, That in the case of refusal by the lessor to accept payment of the rental agreed upon, the lessee may either deposit, by way of consignment, the amount in court, or with the city or municipal treasurer, as the case may be, or in a bank in the name of and with notice to the lessor, within one (1) month after the refusal of the lessor to accept payment.

The lessee shall thereafter deposit the rental within ten (10) days of every current month. Failure to deposit the rentals for three (3) months shall constitute a ground for ejectment. If an ejectment case is already pending, the court upon proper motion may order the lessee or any person or persons claiming under him to immediately vacate the leased premises without prejudice to the continuation of the ejectment proceedings. At any time, the lessor may, upon the authority of the court, withdraw the rentals deposited.

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

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

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

e) Expiration of the period of the lease contract.

SEC. 8. Prohibition Against Ejectment by Reason of Sale or Mortgage. ~ No lessor or his successor-in-interest shall be entitled to eject the lessee upon the ground that the leased premises have been sold or mortgaged to a third person regardless of whether the lease or mortgage is registered or not.

SEC. 9. Rent-to-Own Scheme. ~ At the option of the lessor, he or she may engage the lessee in a written rent-to-own agreement that will result in the transfer of ownership of the particular dwelling in favor of the latter. Such an agreement shall be exempt from the coverage of Section 3 of this Act.

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

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

SEC. 12. Penalties. ~ A fine of not less than Five thousand pesos (P5,000.00) or more than Fifteen thousand pesos (P15,000.00) or imprisonment of not less than one (1) month and one (1) day to not more than six (6) months or both shall be imposed on any person, natural or judicial, found guilty of violating any provision of this Act.

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

SEC. 14. Transition program. ~ The Housing and Urban Development Coordinating Council is hereby mandated to formulate, within six (6) months from effectivity hereof, a transition program which will provide for safety measures to cushion the impact of a free rental market.

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

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

SEC. 17. Effectivity Clause. ~ This Act shall take effect on 01 January 2002 following its publication in at least two (2) newspaper of general circulation.

APPROVED 22 December 2001