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**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City , Metro Manila**

**Twelfth Congress
First Regular Session**

HOUSE BILL NO. 1907



Introduced by Honorable Ma. Victoria L. Locsin

EXPLANATORY NOTE

This bill seeks to create a National Student Loan Board, define its powers and functions in order to formulate and implement a National Student Loan Program for the Poor.

In the recent State of the Nation Address of Her Excellency Gloria Macapagal Arroyo, she said that her administration will "take a hard look at education and ask: Is it preparing the youth for the jobs of the new economy?" In reality, a large portion of the poor is unable to rise above themselves because notwithstanding whatever level of dedication and industry they may have, they possess only the most rudimentary skills. Many are unable to acquire higher level skills because their very poverty places the education required for higher level skills beyond their reach. Education or more precisely, access to higher education is the first instrument for breaking the shackles of poverty.

In consonance with the programs of the national government, this bill is intended to provide access to higher education for the poor through the creation of a National Student Loan Board, an extension on a nationwide basis of the cross-subsidy program of the University of the Philippines known as the Socialized Tuition and Financial Assistance Program (STFAP).

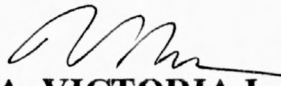
Specifically, monthly contributions shall be made by persons within specific income brackets that will go into a National Students Loan Fund.

These contributions will be graduated, say from one-half percent to four percent of income, according to income bracket.

This bill seeks to bring our country closer to the vision of the 1987 Constitution. No less than four provisions of our Constitution contain language that is pertinent to the proposal to improve education.

Indubitably, there is a great need to provide a National Student Loan Program to assist the poor and the needy by giving them access to tertiary education. Indeed, we will only be able to attain our vision of becoming the next economic tiger of Asia by educating the less fortunate of our people.

In vital recognition of the importance of education to nation building, the passage of this bill is earnestly requested.



MA. VICTORIA L. LOCSIN

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**AN ACT
CREATING A NATIONAL STUDENT LOAN BOARD TO,
FORMULATE AND IMPLEMENT A NATIONAL STUDENT LOAN
PROGRAM FOR THE POOR, AND APPROPRIATING FUNDS
THEREFOR.**

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

SECTION 1. *Title.* – This Act shall be known as the “National
Student Loan Program for the Poor Act of 2001”.

SEC. 2. *Definition of Terms.* – For the purpose of this Act:

m) “Scholar” refers to a designated qualified beneficiary of
contributors who draws from the National Student Loan Fund to support
his tertiary education;

b) “National Student Loan Fund” refers to a cross-subsidy benefit
fund collected by the national government and lent to qualified scholars;

c) “National Student Loan Board” refers to a governing body under the Office of the President tasked to implement the provisions of this Act;

d) “Board of Directors” refers to the governing body of the Student Loan Board and shall exercise the powers and duties hereinafter defined.

e) “Monthly Contribution” refers to the voluntary contributions of income earners to the Fund, based on the National Economic Development Authority (NEDA) income brackets;

f) “Income Brackets” refer to a classification system wherein income earners as contributors to the fund are ranked according to annual family income.

SEC. 3. *National Student Loan Board.* – There is hereby created a National Student Loan Board, hereinafter referred to as the Board. The Board is composed of the Secretary of Education, Culture and Sports as *ex officio* Chairman, the Chairman on Commission on Higher Education (CHED) as *ex officio* Vice-Chairman, and the following heads of the following government agencies as *ex officio* members.

- a. Government Insurance Service System (GSIS);
- b. Social Security System (SSS);
- c. Philippine Overseas Employment Administration (POEA);

- d. National Anti-Poverty Commission (NAPC);
- e. Presidential Commission on Urban Poor (PCUP); and
- f. League of Provincial Governors.

The President of the Philippines shall appoint ten (10) other members of the Board, eight (8) of whom shall be chosen from nominees taken from state universities and colleges and two (2) from nominees taken from non-governmental organizations involved in education.

SEC. 4. *Powers and Functions of the Board.* – The powers and functions of the Board are as follows:

- a) Formulate the National Student Loan Program for the Poor within one (1) year after the effectivity of this Act;
- b) Promulgate the necessary guidelines, rules or regulations for the lending of funds for the education of the poor;
- c) Allocate and disburse funds for the education of the poor;
- d) Cancel, suspend, or revoke loans in case of deceit, fraud or cheating of any kind on the part of the borrower;
- e) Implement the orders, rules, regulations and guidelines passed by the Board pursuant to the National Student Loan Program;
- m) Conduct annual spot and random inspections on borrowers;

g) Conduct studies and researches for the improvement of educational services for the poor;

m) Appoint the necessary staff or employees for the Board;

i) Reprimand, suspend or dismiss erring officials and employees of the Student Loan Board based on the rules and regulations of the Civil Service Commission;

j) Act as trustees for the Investment Portfolio Fund which shall be created out of its excess over semestral operating and lending requirements;

m) Appoint an investment manager for the Investment Portfolio Fund, should it be deemed necessary: *Provided*, That such appointment should not exceed three (3) years, and subject to performance review prior to renewal;

l) Appoint, every three (3) years, a professional actuary to perform an actuarial review of the Student Loan Fund;

m) Report to the Office of the President on monthly basis; and

n) Perform such other powers and functions as may be deemed necessary by the President of the Philippines.

SEC. 5. ***Meetings of the Board.*** – The Board shall hold monthly meetings to be held every first Monday of the month. The Chairman of the

Board shall be the presiding officer. In the absence of the Chairman, the Vice-Chairman of the Board shall automatically take over. Minutes of all meetings shall be recorded and attested to by a simple majority of all regular board members.

A. At least one meeting shall be devoted to a review of the Student Loan Fund's performance in terms of the following:

- i) Total number of current beneficiaries;
- ii) Number of dropouts, voluntary or revoked;
- iii) Average academic performance by year of study;
- iv) Breakdown of scholars by field of study;
- v) Breakdown of scholars by region of origin;
- vi) Breakdown of scholars by place of study; and
- vii) Breakdown of scholars by size of annual family income and family livelihood.

B. At least one meeting shall be devoted to the review and approval of individual scholars.

C. At least one meeting per quarter shall be devoted to a financial review of the Student Loan Fund. This review shall cover, among others, the following:

- i) Total contributions received;

ii) Total repayments made; and

iii) Current cash position as against cash requirements for the quarter.

SEC. 6. *Quorum*. – All meetings shall only be convened with a quorum of simple majority of the regular board members. All members convened without the said quorum shall be deemed null and void.

SEC. 7. *Term of Office*. – The members of the Board shall hold office for a term of three (3) years after their appointment or until their successors shall have been appointed and qualified. Should a member of the Board fail to complete the term, the successor shall be appointed by the President of the Philippines but only for the unexpired portion of the term.

The members of the Board shall be entitled to reasonable traveling expenses and honoraria.

SEC. 8. *Executive Director*. – There shall be an Executive Director who shall be appointed by the Board and shall have the rank of a bureau director, with a fixed term of three (3) years, renewable for another term.

SEC. 9. *Executive Committee*. – The Board shall create an Executive Committee who shall be headed by the Executive Director to determine the number of employees needed to carry out the functions of

the Student Loan Board. The Board shall likewise provide for the qualifications and compensation of employees in the Executive Committee in accordance with the existing civil service rules and regulations.

The Executive Committee shall exercise the following functions:

- m) Recommend the approval of loan applications by the Board;
- n) Review, evaluate and assess programs, plans of action and agenda of the Board;
- o) Review, evaluate and assess the academic standing of loan borrowers;
- p) Recommend the cancellation or revocation of loans; and
- q) Perform such other powers and functions as maybe determined by the Board.

SEC. 10. *National Student Loan Fund*. – All income earners as determined under Section 10 hereof, who wants to be members of the national Student Loan Fund and avail of the benefits thereof, are hereby required to contribute through salary deductions, to the National Student Loan Fund. Such monthly contribution shall be based on the NEDA income brackets.

All monthly contributions shall be deposited by the Board in the Development Bank of the Philippines (DBP) under the name of the national Students Loan Fund.

For the purpose of developing the relevant implementing details of the National Student Loan Program, the Board shall use as principal reference the Socialized Tuition and Financial Assistance Program (STFAP) of the University of the Philippines.

SEC. 11. ***Income Brackets.*** – National Economic Development Authority (NEDA) income brackets of wage earners shall be the basis of contributions to the National Student Loan Fund. The contribution structure shall be progressive, from a minimum of one-half percent of individual income bracket to a maximum of four percent of individual income bracket.

SEC. 12. ***Beneficiary Loan Amount.*** - The loan available to a scholar as beneficiary of income earner who is a member of the National Student Loan Fund shall be subject to the following terms and conditions:

a. Availability. – Loans shall be available only for undergraduate degree courses. This program shall not cover postgraduate courses.

b. Loan size. – Loan amount shall be equivalent to the prevailing cost per academic unit at the University of the Philippines multiplied by eighteen (18) academic units.

c. Loan repayment. – Loans shall carry an annual interest rate of 15% payable over five (5) years commencing the first year after graduation of the scholar. Loan amortization computation shall use the Straight-Line Method. Amortizations shall be deductible from salary of income earners as members or from the salary of employed graduate scholars. It may also be paid directly to the fund in case of self-employed graduate scholars.

d. Application – Loans shall be applicable to the school of choice of the designated beneficiary as scholar, to cover tuition and living allowance. Amounts in excess of the loan needed to cover the scholar's needs have to be derived from other sources.

e. Drawdown – Upon approval of a loan, an amount equivalent to the tuition of the scholar can immediately be drawn upon presentation of proof of registration. Balance can be drawn in five (5) equal monthly installments starting the first month of the semester in the case of schools using the first semestral system, or four (4) equal monthly

installments starting the first month of the trimester in the case of schools using the trimestral system.

SEC. 13. *Investment Portfolio.*- Monies representing contributions to the Student Loan Fund shall be placed in an investment portfolio fund. The interest to be derived out of the investment portfolio shall be used to fund all scholarships for qualified scholars in academic institutions of their choice, provided, that such educational institutions are duly accredited by the DECS and CHED and are included in a list of qualified tertiary education institutions prepared by the Board for this purpose.

SEC. 14. *Loan Repayments.* - The heads of the GSIS, the SSS and the POEA are hereby directed to closely coordinate with the Board to determine the present occupational status of borrowers for purposes of loan repayments to the fund.

SEC. 15. *Tax Deductibility.* - All contributions made to the Fund shall be deductible from taxable personal income. All loan repayments of graduate beneficiaries shall likewise be deductible from taxable personal income.

SEC. 16. *Implementing Rules and Regulations.* - The Department of Education, Culture and Sports and the Commission on

Higher Education shall, within six (6) months from effectivity of this Act, issue the necessary rules and regulations to carry out the objective of this Act.

SEC. 17. *Appropriations.* – The initial amount of Ten Million (P10,000,000.00) Pesos is hereby appropriated for the effective implementation of this Act. Thereafter, such amounts as may be necessary for the continued operations of the Board shall be included in the annual General Appropriations Act.

SEC. 18. *Separability Clause.* – If for any reason any provision of this Act is declared unconstitutional or invalid, parts or provisions of this Act which are not affected shall continue to be in force and effect.

SEC. 19. *Repealing Clause.* – All laws, executive orders presidential decrees, rules and regulations or parts thereof inconsistent with any provisions of this Act are hereby repealed or amended accordingly.

SEC. 20. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in any two (2) national newspapers of general circulation.

Approved,