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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2642

Introduced by Hon. Rep. Maria Milagros H. Magsaysay

EXPLANATORY NOTE

This bill seeks to create a National Student Loan Board to implement a National Student Loan Program for the poor, define its powers and functions and appropriate the necessary funds.

The importance of providing access to higher education for the poor cannot be overemphasized. In the Philippines, only a little over 11% of our work force has a college education. Of the college age population, less than 50% are enrolled in tertiary educational institutions and about 70% are living below the poverty line.

Under this proposed measure, the cross-subsidy program implemented by the University of the Philippines (U.P.) will be replicated on a nationwide scale. As such, under this proposed measure, a mandatory monthly contributions shall be made by persons within specific income brackets and that such fund collected shall go into the national student loan fund. These contributions will be graduated according to income bracket. Using the 1995 data from the Philippine Statistical Yearbook and the targeted contribution rates, annual contributions that will be collected under this proposed measure will amount to about Php 6 billion pesos a year.

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 Filipino people.

In view of the foregoing, the passage of this bill is earnestly requested.

MA. MILAGROS H. MAGSAYSAY
Representative
1ST District, Province of Zambales

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HOUSE BILL NO. 2642

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AN ACT
CREATING A NATIONAL STUDENT LOAN BOARD TO IMPLEMENT A NATIONAL STUDENT LOAN PROGRAM FOR THE POOR, DEFINING ITS IMPLEMENTING GUIDELINES, RULES AND REGULATIONS AND APPROPRIATING FUNDS THEREFOR

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

SECTION 1. ***Short Title.*** – This Act shall be known as the ***"National Student Loan Program for the Poor Act of 2004."***

SEC. 2. ***Creation.*** – There shall be created, under the Office of the President of the Philippines, in close coordination with the Department of Education (DepEd) and the Department of Social Welfare and Development (DSWD), a National Student Loan Board to implement a National Student Loan Program for the Poor.

SEC. 3. ***Definition of Terms.*** – For the purpose of this Act, the following terms shall have the corresponding meaning:

a) *Iskolar ng Bayan* – hereinafter called *"Iskolar"* shall refer to a qualified beneficiary who draws from the National Student Loan Fund to support his or her tertiary education;

b) National Student Loan Fund – hereinafter called the "Fund" shall refer to a cross-subsidy benefit fund to be collected by the National Government and lent to qualified *Iskolars* as hereinafter defined;

c) National Student Loan Board – hereinafter called the "Student Loan Board" shall refer to a governing body under the Office of the President tasked to implement the provisions of this Act;

d) Board of Directors – hereinafter called the "Board" shall refer to the governing body of the Student Loan Board and shall exercise the powers and duties hereinafter defined;

e) Monthly Contributions – hereinafter called "contributions" shall refer to the contributions of designated income earners to the Fund, based on the National Economic Development Administration (NEDA) income brackets;

f) *Iskolar* Brackets – hereinafter called "brackets" shall refer to a beneficiary classification system wherein *Iskolar ng Bayan* shall be ranked according to the annual family income and/or academic performance in an immediately previous school term.

SEC. 4. ***Composition of the Board.*** – The National Student Loan Board created under this Act shall be composed of the following members:

1) ***Chairperson*** – The Secretary of the Department of Education (DepEd), or his/her duly designated representative who should be an Undersecretary, shall be the Chairperson of the National Student Loan Board. The Secretary of the DECS shall receive *per diems* to be paid for attendance in regular and emergency meetings called by the Board.

2) ***Vice Chairman*** – The Secretary of the Department of Social Welfare and Development (DSWD), or his/her duly designated representative who should be an Undersecretary, shall be the Vice Chairman of the National Student Loan Board. The Secretary of the DSWD shall receive *per diems* to be paid for attendance in regular and emergency meetings called by the Board.

3) ***Executive Director of the Student Loan Board*** – There shall be an Executive Director of the Student Loan Board to be appointed by the President of the Philippines. The Executive Director must be a natural-born citizen of the country, and must have passed the Career Executive Service Officers (CESO) examination. The Executive Director shall receive a monthly compensation equivalent to salary grade 28. The Executive Director shall serve a term of three (3) years and can be re-appointed for another one (1) term.

4) ***Working Board Members*** – There shall be ten (10) Working Board Members, eight (8) members of whom shall come from the State Universities and Colleges, and two (2) from the private sector, all of whom shall be appointed by the President of the Philippines. Each Working Board Member shall receive a

monthly compensation equivalent to salary grade 26 and shall have the organizational designation of "Managing Director" of a specific functional area of the Student Loan Board. The term of the Working Board Members shall be co-terminus with the term of the Executive Director.

5) ***Ex-Officio Board Members*** – The Chairpersons of the Government Insurance Service System (GSIS), the Social Security System (SSS), the Philippine Overseas Employment Agency (POEA) and the Executive Director of the Student Loan Board shall be *ex-officio* members of the Board. They shall receive per diems to be paid for attendance in regular and emergency meetings called by the Board. The *ex-officio* members of the board shall have no power to vote.

SEC. 5. ***Powers and Functions of the National Student Loan Board.*** – The powers and functions of the Board shall be as follows:

a) To closely coordinate with NEDA in determining the income brackets and monthly contributions to the Fund;

b) To promulgate the necessary guidelines, rules or regulations for the lending of funds for education to the poor;

c) To appoint the necessary staff and/or employees for the National Student Loan Board;

d) To allocate and disburse funds for the education of the poor;

e) To cancel, suspend, or revoke loans in cases of deceit, fraud or cheating of any kind on the part of the borrower;

f) To be the trustees for the Investment Portfolio of the Fund, which shall be created out of its excess over semestral operating and lending requirements;

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

h) To report to the Office of the President on a monthly basis; and

i) To perform such other powers and functions as may be deemed necessary by the President of the Philippines, pursuant to the provisions of this Act.

SEC. 6. ***Meetings of the Board.*** – The National Student Loan Board shall hold twelve (12) regular board meetings every year to be held every first Monday of the month. The Chairperson of the Board shall be the presiding officer. In the absence of the Chairperson, the Vice-Chairperson of the Board shall automatically take over.

SEC. 7. ***Quorum for National Student Loan Board Meetings.*** – All regular and emergency meetings shall only be convened with a quorum of at least fifty *percentum (*50%) plus one (1) of the regular Board Members. All meetings convened without the said quorum shall be deemed null and void.

SEC. 8. ***Executive Committee of the Loan Board.*** – There shall be created an Executive Committee of the National Student Loan Board composed of the Executive Director and the ten (10) Working Board Members.

The Executive Committee, headed by the Executive Director shall have the following powers and functions:

a) To recommend the approval of loan applications by the Board;

b) To review, evaluate and assess programs, plans of action and/or agenda of the Board;

c) To review, evaluate and assess the academic standing of loan borrowers;

d) To implement the orders, rules, regulations and guidelines passed by the Board;

e) To conduct annual spot and random inspections on borrowers;

f) To conduct studies and researches for the improvement of educational services for the poor;

g) To reprimand, suspend or dismiss erring officials and employees of the Student Loan Board based on the existing rules and regulations of the Civil Service Commission;

j) To appoint the necessary staff and/or employees for the Executive Committee of the National Student Loan Board;

h) To recommend the cancellation or revocation of loans; and

i) To perform such other powers and functions as may be determined by the Board.

SEC. 9. ***Student Loan Board Staff / Employees.*** – The National Student Loan Board shall determine the number of staff / employees needed to carry out the functions of the Student Loan Board, subject to the rules and regulations of the Civil Service Law and rules. The Commission shall likewise provide for the qualifications and compensation of applicants based on the existing rules and regulations on the hiring of civil servants.

SEC. 10. ***Planning Model.*** – For purposes of developing the relevant implementing details of the National Student Loan Program, the Board shall use as a principal reference the Socialized Tuition Fee Assistance Program (STFAP) of the University of the Philippines.

SEC. 11. ***Contributions.*** – All monthly contributions made to the Fund shall be deposited by the Board in the Development Bank of the Philippines (DBP) under the name of the National Student Loan Fund.

SEC. 12. ***Investment Portfolio.*** – Funds in excess of the annual operating requirements of the Student Loan Board not covered by its allocation under the General Appropriations Act shall be transferred to an Investment Portfolio Fund. The interest to be derived out of the investment Portfolio shall be used to fund full scholarships for qualified *Iskolars* in academic institutions of their choice: *Provided,* That such educational institutions are duly accredited by the DECS and are included in a list of qualified tertiary educational institutions prepared by the Board for this purpose.

SEC. 13. ***Contributor Income Bracket.*** – The Director-General of the National Economic and Development Authority (NEDA) is hereby directed to assist the Board in determining the income brackets of wage earners who shall be required to make contributions to the Fund within ninety (90) days after the effectivity of this Act. The contribution structure shall be progressive, from a minimum of ½% of individual income bracket to a maximum of 4% of individual income bracket.

SEC. 14. ***Beneficiary Loan Amount.*** – The loan available to an *Iskolar* shall be semestral, and shall be subject to the following terms and conditions:

a) Availability – *Iskolar ng Bayan* 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 twenty one (21) academic units.

c) Loan repayment – loans shall carry an annual interest rate of 5%, payable over five (5) years commencing the first year after the graduation of the *Iskolar*. Loan amortization computation shall use the Straight-Line Method. Amortizations shall be deductible from salary in the case of employed graduate *Iskolar* or paid directly to the Fund in the case of self-employed graduate of *Iskolars.*

d) Application – the loan shall be applicable to the school of choice of the *Iskolar*, to cover tuition and living allowance. Amounts in excess of the loan needed to cover the *Iskolar*'s needs shall have to be derived from other sources.

e) Drawdown – Upon approval of a loan, an amount equivalent to the tuition of the Iskolar can immediately b 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 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. 15. ***Mandatory Contributions.*** – All income earners as determined under Section 9 above are hereby required to contribute to the Fund. Such mandatory contribution shall be based on NEDA income brackets.

SEC. 16. ***Loan Repayments.*** – The Chairpersons of the Government Service Insurance System (GSIS), the Social Security System (SSS), the Civil Service Commission (CSC), the Department of Labor and Employment (DOLE) and the Philippine Overseas Employment Agency (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. 17. ***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. 18. ***Appropriations.*** – The amount necessary for the effective implementation of this Act shall be taken out of the funds appropriated for the Office of the President. Thereafter, such amount as may be necessary for the continued operations of the Board shall be included in the annual General Appropriations Act.

SEC. 19. ***Repealing Clause.*** – All laws, presidential decrees, executive orders, proclamations, rules and regulations which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 20. ***Separability Clause.*** – If, for any reason, any section or provision of this Act shall be held unconstitutional or invalid, the other section or provision not otherwise affected shall remain valid.

SEC. 21. ***Effectivity Clause.*** – This Act shall take effect fifteen (15) days from its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,