



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



Thirteenth Congress
Second Regular Session

HOUSE BILL NO. 5279

Introduced by Honorable Rodante D. Marcoleta

EXPLANATORY NOTE

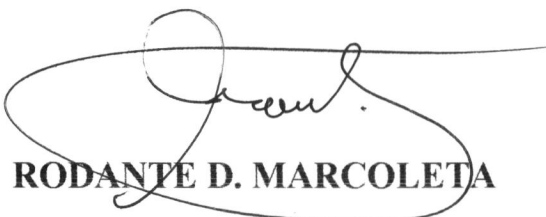
This bill seeks to create a National Student Loan Program for the poor.

It is the policy of the State to protect and promote the right of all citizens to affordable quality education and to take appropriate steps to ensure that education shall be accessible to all. Notwithstanding this policy, many talented young people cannot pursue college education for lack of financial resources. The importance of providing access to higher education for the poor cannot be overemphasized. Statistics show that of the college age population, less than 50% are enrolled in tertiary educational institutions and about 70% are living below the poverty line.

A National Student Loan Fund for the poor, an extension on a nationwide basis of the cross-subsidy program of the University of the Philippines (UP) will be an effective solution to the problem of inaccessibility of college education to those who belong to the lower income bracket of society. Monetary contributions shall be made by persons within specific income brackets that will go into the National Students Loan Fund, and these contributions will be graduated according to the income bracket of the student.

This bill therefore aims to bring our country closer to the vision of the 1987 Constitution. No less than four provisions of the Constitution contain languages that are 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 economically progressive by educating the less fortunate of our people.

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


RODANTE D. MARCOLETA



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AN ACT
CREATING A NATIONAL STUDENT LOAN PROGRAM FOR THE
POOR AND APPROPRIATING FUNDS THEREFOR.

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

SECTION 1. **Short Title.** – This Act shall be known as the "*National Student Loan Program for the Poor Act of 2006.*"

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

- a) "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" refers 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 as *ex-officio* Chairman, the Chairman of the Commission on Higher Education (CHED) as *ex-officio* Vice-Chairman and the heads of the following government agencies or their representatives as *ex-officio* members:

- (1) Government Service Insurance System (GSIS);
- (2) Social Security System (SSS);
- (3) Philippine Overseas Employment Administration (POEA);
- (4) Technical Education and Skills Development Authority (TESDA);
- (5) Presidential Commission for the Urban Poor (PCUP); and
- (6) 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.** – 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;
- f) Conduct annual spot and random inspections on borrowers;
- g) Conduct studies and researches for the improvement of educational services for the poor;
- h) 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;

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 positions as against cash requirements for the quarter.

SEC. 7. **Quorum.** – All meetings shall only be convened with a quorum of simple majority of the regular Board members. All meetings convened without the said quorum shall be deemed null and void..

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:

- a) Recommend the approval of loan applications by the Board;
- b) Review, evaluate and assess programs, plans of action and agenda of the Board;
- c) Review, evaluate and assess the academic standing of loan borrowers;
- d) Recommend the cancellation or revocation of loans; and
- e) Perform such other powers and functions as may be determined by the Board.

SEC. 10. **National Student Loan Fund.** – All income earners who want 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 Fee Assistance Program (STFAP) of the University of the Philippines.

SEC. 11. Income Brackets. – The 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 an 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 post graduate 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 fifteen percent (15%) payable over five (5) years commencing on the first year after graduation of the scholar. Loan amortization computation shall use the Diminishing Method. Amortizations shall be deductible from the 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 on the first month of the semester in the case of schools using the first semestral system, or four (4) equal monthly installments

starting on 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 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 DepEd and CHED and are included in a list of qualified tertiary educational 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 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 the taxable personal income. All loan repayments of graduate beneficiaries shall likewise be deductible from the taxable personal income.

SEC. 16. **Implementing Rules and Regulations.** – The Department of Education and the Commission on Higher Education shall, within six (6) months from the effectivity of this Act, issue the necessary rules and regulations to carry out the objectives of this Act.

SEC. 17. **Appropriations.** – The initial amount of Fifty Million Pesos (P50,000,000.00) is hereby appropriated for the effective implementation of this Act. Thereafter, such amount 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 full 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,