

Republic of the Philippines
House of Representatives
Quezon City

Thirteenth Congress

Second Regular Session

House Bill No. **5315**



Introduced by **Representative JOEY SARTE SALCEDA**

Explanatory Note

The educational sector is being given the highest priority in budget by the Philippine government in accordance with the Constitutional provision in Article XIV Section 5 (5). This is so because everyone is in accord that education is the best way to develop its citizenry to be functional and productive members of the society. It is also the way to achieve social justice, social stability, economic development, peace and prosperity of the country.

However, the effort of the government to assist deserving Filipino students obtain college education is constrained by shortage of funds. The Philippines is a developing country and much of its annual budget is spent in debt servicing to local and international lending institutions and in providing vital services to the people. The mandate of the Constitution that "*the State shall protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make education accessible to all*" (Art. XIV, Sec. 1) notwithstanding, the realities dictate that the Philippines is not a welfare State. Given the economic situation of the country, the government alone cannot subsidize the higher education of every deserving Filipino.

The Commission on Higher Education (CHED), in accordance with the provisions under RA 7722 the "Higher Education Act of 1994", administers scholarship, grant and loan programs for deserving students at the tertiary level. On the average, the Commission allocates Php. 374,000,000.00 per year to benefit about 33,000 scholars and grantees nationwide under various programs. Of the total amount, 363.1 million pesos or 97% goes to scholarship and grant programs and 11.7 million pesos or 3% to student loan particularly the Study-Now-Pay-Later Plan (SNPLP).

The reason why CHED allocates fewer funds to the student loan program is its failure to collect repayment from loan borrowers. According to a UNESCO study, the government financial institutions (GFIs) that administered the SNPLP from 1976 to 1991 has a repayment rate of 46%; the Department of Education that administered the Program from 1992 to 1994 got 3% repayment rate, and CHED from 1995 to date gets 1% repayment from the loans borrowed by students.

CHED learns its lesson that on its own it is extremely difficult to collect repayment from loan borrowers. The reasons behind the failure in collection are due to the following factors: a) Lack of information about the whereabouts of loan borrowers after graduation; b) Unemployment or low income of loan borrowers; c) Inadequate data bank on SNPLP; and d) Fast turn-over of staff in charge of the Program without proper delegation of responsibilities. Considering all the factors mentioned, CHED is optimistic that with the cooperation and assistance from other agencies in tracking loan borrowers and collecting repayments, there is a chance to obtain 90% to 100% repayment. Making student loan payable through a simple 6% interest and adopting a borrower-friendly scheme would make the collection even more viable.

Overall, this Bill aims to widen the access of deserving Filipino student to college education on the one hand, and to brighten the prospect of the government of getting back the funds invested to higher education on the other hand. The funds obtained through the repayment of students from the loan they borrowed can be used by succeeding generations of students who need financial assistance. In a subtle way, the Bill also aims to develop and strengthen the value of accountability and responsibility on the part of the Filipinos to pay their loans.

Based on the premise that the financial assistance of the government can reach more deserving beneficiaries if the students who benefit from said assistance pay part of the cost of their education, the passage of this Bill is earnestly requested.



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**AN ACT EXPANDING THE STUDY-NOW PAY LATER PLAN AND
FOR OTHER PURPOSES**

Be 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 "Expanded Study-Now Pay Later Plan (E-SNPLP) Act"

SECTION 2. *Declaration of Policy:* The Philippine Constitution provides that the State shall protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make education accessible to all. Moreover, the State shall establish and maintain a system of scholarship grants, student loan programs, subsidies, and other incentives which shall be available to deserving students in both public and private schools, especially the underprivileged.

SECTION 3. *Definition of Terms:*

1) *Loan Trust Fund (LTF)* – refers to the funds held in Trust by CHED for the operationalization of the Expanded Study-Now Pay-Later Plan (E-SNPLP)

2) *Bureau of Internal Revenue* – refers to the government agency mandated by law to assess and collect all national internal revenue taxes, fees and charges and to enforce all forfeitures, penalties and fines connected therewith, including the execution of judgments in all cases decided in its favor by the Court of Tax Appeals and the ordinary courts (Sec. 2 of National Internal Revenue Code of 1997)

3) *Government Social Insurance System (GSIS)* – refers to the agency entrusted to take charge of all matters pertaining to the social security benefits and insurance claims of all government officials and employees, as created and established under Commonwealth Act No. 186, as amended by Presidential Decree No. 1146, and further amended by Republic Act No. 8291.

4) *Social Security System (SSS)* – refers to the agency entrusted to take charge of all matters pertaining to the benefits of all private employees, embodied in Republic Act No. 1161 and amended by Republic Act 8282.

5) *National Bureau of Investigation (NBI)* – refers to the government agency tasked among others to investigate crimes and other offenses against the laws of the Philippines, among other functions, as created and established by virtue of Republic Act No. 157 as amended by Executive Order No. 94.

6) *Commission on Higher Education (CHED)*– refers to the government created and established by virtue of Republic Act 7722, the “Higher Education Act of 1994” tasked among others to formulate and recommend development plans, policies, priorities, and programs on higher education and research.

7) *Loan Trust Fund Board (LTF Board)* – refers to the governing body that shall formulate policies, standards guidelines and rules and regulations pertaining to the operation, management and supervision of the Loan Trust Fund (LTF) and the E-SNPLP

SECTION 4. Beneficiaries: The Expanded Study-Now Pay-Later Plan shall be made available to deserving college students of any curricular year in public and private schools.

SECTION 5. Governance:

a) To carry out the purposes of this Act, the LTF Board is created, hereinafter referred to as the “LTF Board”, a governing body that shall formulate policies, standards guidelines and rules and regulations pertaining to the operation, management and supervision of the LTF and the E-SNPLP with principal office at the Commission on Higher Education.

b) The LTF Board shall be composed of the Chairman of the Commission on Higher Education which shall serve as the Chairman of the Board, and one (1) representative each from the following offices as members: National Bureau of Investigation; Bureau of Internal Revenue; Government Social Insurance System; Social Security System; Senate Committee on Education, Arts and Culture, and; Committee on Higher and Technical Education of the House of Representatives.

The members of the LTF Board shall carry out its functions without any per diem or compensation. However, they shall be reimbursed by CHED to cover the actual expenses incurred during meetings that include gasoline or taxi fare expenses and meals.

c) The LTF Board, with the concurrence of the agency concerned, shall: 1) create a unit within CHED to manage the lending of loan to student borrowers in various higher education institutions and to be the repository of data and information about the loan borrowers of E-SNPLP; 2) establish a system within GSIS and SSS that automatically holds a portion of the contributions of members who were E-SNPLP loan borrowers as loan repayment and deposit the amount to the LTF; 3) establish a system within BIR that provides Tax Identification Number (TIN) to student loan borrowers and tracks their whereabouts, and; 4) establish a system within NBI to withhold clearance of applicants with unpaid loans from E-SNPLP.

The LTF Board shall define the specific functions and responsibilities of the cooperating agencies relative to the operationalization of E-SNPLP.

d) The LTF Board shall determine the annual operating budget of the unit within CHED tasked to manage the E-SNPLP to be taken from the net earnings of the Loan Trust Fund.

SECTION 6. *Management and Supervision.* The management and supervision of E-SNPLP shall be the responsibility of CHED. The LTF Board shall define the specific functions of the Commission relative to the implementation of the Program in accordance with approved policies, standards guidelines and rules and regulations.

SECTION 7. *Loan Trust Fund (LTF):* The LTF Board shall establish a Loan Trust Fund for CHED. Seventy per cent (70%) of the funds allocated by CHED annually to its various student financial assistance programs shall go to the Loan Trust Fund of the E-SNPLP. Likewise, the amount derived from loan repayments of borrowers, which include payment for the principal and interests, shall also go to the Loan Trust Fund.

SECTION 8. *Fund Administrator :* The LTF Board shall identify a government bank to be the Fund Administrator of the LTF of E-SNPLP. The bank shall also be deputized to receive loan repayments. A bank account exclusively for loan borrowers' repayment shall be opened, as follows: a) Peso account for loan borrowers employed or living in the Philippines and; b) Dollar account for loan borrowers employed or living abroad.

SECTION 9. *Distribution of Slots:* The LTF Board shall distribute available funds for loan equitably among regions considering the following factors: a) Number of graduating students in high school for the school year in the region; and b) Poverty index of the region.

SECTION 10. *Loanable Amount:* The LTF Board shall determine the maximum amount that can be availed of by student loan borrowers. The loan may cover tuition and other school fees and expenses.

SECTION 11. *Interest Rate and Repayment Scheme:* In the formulation of policies regarding the interest rate and repayment scheme for E-SNPLP, the following principles shall guide the LTF Board:

a) Voluntary repayment of loans shall start anytime the loan borrower wants to pay;

b) The amortization period of the E-SNPLP loan shall be four (4) years, to start two years after graduation or, in the case of loan borrowers who dropped out, two (2) years from the date of dropping out from college;

c) The interest rate of loan shall be 6% simple interest per annum. The LTF Board shall formulate a Repayment Scheme Table as guide of the deputized bank and all concerned agencies in computing interest rates;

d) The GSIS and SSS shall automatically deduct from the contribution of the members who were loan borrowers the repayments for E-SNPLP. The LTF Board shall determine the amount to be withheld or deducted by the GSIS and SSS from the contribution of members who are E-SNPLP loan borrowers; Provided, however, the GSIS and SSS members who were E-SNPLP loan borrowers can opt to pay directly to any branch of the government bank deputized to receive loan repayments.

Those who are not members of GSIS and SSS shall pay their E-SNPLP loan, either in full or partial basis, to any branch of the government bank deputized to receive loan repayments.

e) The list of loan borrowers who are due for payment shall be submitted by CHED to BIR for tracking purposes, to GSIS and SSS for automatic deduction of certain amount from the contributions of members who were loan borrowers, and to NBI for clearance purposes;

f) A Certificate of Full Payment shall be secured by the loan borrower from the deputized bank with concurrence from CHED Central Office before NBI issues clearance.

SECTION 12. *Implementing Rules and Regulations:* The LTF Board shall promulgate the necessary rules and regulations for the effective implementation of this Act within ninety (90) days following its approval, to be embodied in the Implementing Rules and Regulations (IRR) duly confirmed and approved by the majority of the LTF Board.

SECTION 13. *Separability Clause:* If, for any reason, any section of this Act shall be held unconstitutional or invalid, the other sections or provisions

of this Act shall not be affected thereby as they are separable from the invalid ones and shall remain in force and effect.

SECTION 14. *Repealing Clause:* All laws, executive Orders, decrees, instructions, rules and regulations in contrary or inconsistent with any provision of this Act are hereby repealed or modified accordingly.

SECTION 15. *Effectivity Clause:* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation whichever comes earlier.

Approved.