

HOUSE OF REPRESENTATIVES

House Bill No. **1247**

Introduced by **REPRESENTATIVE MARK A. VILLAR**

EXPLANATORY NOTE

The 1987 Constitution of the Republic of the Philippines provides that the State shall establish and maintain a system of scholarship grants, student loan programs, subsidize and other incentives which shall be available to deserving students in both public and private school, especially to the underprivileged (*Section 2 (3), Article 14, 1987 Philippine Constitution*).

In line with this constitutional provision, the attached bill proposes the creation of a National Student Loan Board to Implement a National Student Loan Program. The proposed loan program is designed to promote democratization of access to educational opportunities in post-secondary and tertiary levels to qualified students through financial assistance in the form of an educational loan. The bill aims to establish and maintain a system of student loan program and other incentives that will be available to deserving post-secondary and tertiary students in both public and private schools, especially the underprivileged. If enacted, this student loan program will certainly be able to open opportunities towards the realization of a better future to those students who, because of poverty or financial difficulty, have been denied access to pursue further education.

I recommend the early approval of this bill.



MARK A. VILLAR
Representative
Lone District of Las Piñas City

HOUSE OF REPRESENTATIVES

House Bill No. 1247

Introduced by **REPRESENTATIVE MARK A. VILLAR**

AN ACT CREATING A NATIONAL STUDENT LOAN BOARD TO IMPLEMENT A NATIONAL STUDENT LOAN PROGRAM FOR POST SECONDARY AND TERTIARY EDUCATION, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

Section 1. Short Title. - This Act shall be known as the "National Student Loan Program Act of 2010."

Sec. 2. Declaration of Policy. - It is the declared policy of the State to protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make such education accessible to all. Further, it is a declared State policy to 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 to the underprivileged. For these reasons, the National Student Loan Program is hereby established to provide for a more effective loan assistance program, and to institute a system for efficient loan collection.

Sec. 3. Definition of Terms. - For purposes of this Act, the following terms shall mean:

- (a.) National Student Loan Program refers to the government educational loan program which shall be designed to promote democratization of access to educational opportunities in post-secondary and tertiary levels to qualified students through financial assistance in the form of an educational loan;
- (b.) National Student Loan Fund, hereinafter called the "Fund," refers to a cross-subsidy benefit fund to be collected by the National Government and lent to qualified borrowers as hereinafter defined;
- (c.) National Student Loan Board, hereinafter called the "Loan Board," refers to a governing body under the Office of the President tasked to formulate policies, guidelines and rules and regulation for the operation, management and supervision of the national student loan fund for the National Student Loan Program and to implement the provisions of this Act;
- (d.) Student Loan Borrower refers to a qualified beneficiary who draws from the National Student Loan Fund to support his or her post-secondary or tertiary education;
- (e.) Deserving Students refers to students qualified under this Act and who have the ability to continue and finish a post secondary or tertiary education: Provided, that they are currently enrolled or intend to enroll in any of the priority courses subsequently identified and determined by CHED and TESDA;
- (f.) Delinquent Borrower refers to a student-borrower under the National Student Loan Program who has not paid in full for a period of three and a half years after graduation and gainful employment;
- (g.) Post Secondary Education refers to the education and training in non-degree vocational and technical courses offered in post-secondary

vocational and technical education institutions, or education in degree courses offered by higher educational institutions, the completion of which are attested by a certificate or diploma issued by or with permission of the Technical Education and Skills Development Authority (TESDA);

- (h.) Tertiary Education refers to the education and training in degree programs offered in higher education institutions, the completion of which are attested by the Commission on Higher Education (CHED);
- (i.) Tuition Fee refers to the fees representing direct cost of instruction, training and other related activities and for the student's use of the instruction and training facilities;
- (j.) Miscellaneous Fees and Other School Fees refers to those fees which cover other necessary costs supportive of instruction, including, but not limited to medical and dental, athletic, library and laboratory fees;
- (k.) Educational Expenses refers to the expenses related to the education of the student, such as books, subsistence and board and lodging, but excluding tuition and miscellaneous and other school fees;
- (l.) Clearance refers to the certification issued by the National Bureau of Investigation indicating whether or not the student borrower has fully paid the loan.

SEC. 4. *National Student Loan Board.* - To carry out the purposes of this Act, there shall be created, a National Student Loan Board to implement a National Student Loan Program for deserving students. This Board will be under the Office of the President of the Philippines, but in close coordination with the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA).

The National Student Loan Board, hereinafter referred to as the Loan Board, shall be a governing body that shall formulate policies, guidelines, and rules and regulations necessary for the operation, management and supervision of the National Student Loan Fund and the National Student Loan Program for Post Secondary and Tertiary Education.

SEC. 5. *Composition of the Loan Board.* – The Loan Board created under this Act shall be composed of the following members:

- 1) The Chairperson of the Commission on Higher Education, as Chairperson of the National Student Loan Board;
- 2) The Director-General of the Technical Education and Skills Development Authority, as Co-Chairperson;
- 3) The Secretary of the Department of Social Welfare and Development (DSWD), as the Vice Chairperson;
- 4) The Secretary of the Department of Labor and Employment, as Member;
- 5) The Secretary of the Department of Finance, as Member;
- 6) The Chairperson of the House Committee on Higher & Technical Education, as Member;
- 7) The Chairperson of the Senate Committee on Education, Arts and Culture, as Member;
- 8) The Director-General of the National Economic and Development Authority (NEDA), as Member;
- 9) The Commissioner, Bureau of Immigration, as Member;
- 10) The President, Government Service Insurance System, as Member;
- 11) The President, Social Security System, as Member;
- 12) The Director of the National Bureau of investigation, as Member;
- 13) The President, Philippine Association of State Universities and Colleges (PASUC), as Member;
- 14) The President, Coordinating Council of Private Educational Associations, as Member; and
- 15) The President, Association of Local Colleges and Universities, as Member.

SEC. 6. *Compensation of the Loan Board.* – The members shall serve without compensation, but they shall be entitled to *per diems* and be reimbursed for necessary expenses incurred in their attendance of meetings of the Loan Board or in connection with their official business authorized by resolution of the Loan Board, subject to existing laws and regulations.

SEC. 7. *Powers and Functions of the Loan Board.* – The powers and functions of the Loan Board shall include the following:

- a) To primarily manage, administer and supervise the National Student Loan Fund for the National Student Loan Program, including the allocation and disbursement of funds to implement the program;
- b) To allocate and disburse funds for the education of qualified student borrowers;
- c) To closely coordinate with NEDA in determining the income brackets of Filipino families for the purpose of identifying qualified student borrowers;
- d) To closely coordinate with CHED and TESDA in determining the qualifications of student borrowers for degree and non-degree courses in various post secondary and tertiary educational institutions;
- e) To closely coordinate with the *Bangko Sentral ng Pilipinas* in determining delinquent loan borrowers and setting up a mechanism for blacklisting them should they apply for loans or credit cards from banks;
- f) To promulgate the necessary guidelines, rules or regulations for the lending of funds for the education of qualified student borrowers;

- g) To plan, implement and monitor annual work programs, as well as evaluate, and submit annual reports in pursuance of the objectives of this Act;
- h) To conduct investigation, receive documentary proof, and determine who are the eligible students based on the provisions in this Act;
- i) To institute a system within the National Bureau of Investigation that shall state in the NBI clearance issued to the applicant whether or not he or she has unpaid loans from the National Student Loan Program;
- j) To plan and implement a program of generating funds for the loan program to finance the education of students who qualify under the provisions of this Act: *Provided*, however, That the distribution of loans to the various cities and provinces shall be in proportion to their population: *Provided, further*, That support for student recipients shall be given until they finish their course of study; *Provided, finally*, that student debtors shall not be entitled to financial aid for subjects that they repeat on account of failure or dropping of subjects;
- k) To receive donations, legacies, gifts and other forms of contribution, whether in cash or in property, from both public and private sources here and abroad, which shall accrue to the special fund created under this Act, and to receive and utilize the services and assistance of experts: *Provided*, that such donations, legacies and contributions shall be exempt from taxation and shall be allowable deductions for income tax purposes;
- l) To be the repository of data and information about student borrowers under the National Student Loan Program;
- m) To maintain and regularly update every six (6) months, the lists of qualified student loan borrowers and the priority courses being offered

in public and private post secondary and tertiary educational institutions;

- n) To issue certificates which shall be valid anywhere in the country as proof of the eligibility of the student loan borrower to avail himself/herself of the loan program;
- o) To cancel the certificates issued based on the grounds under Section 21 thereof;
- p) To appoint the necessary staff and/or employees of the Loan Board;
- q) To cancel, suspend, or revoke loans in cases of deceit, fraud or cheating of any kind on the part of the borrower;
- r) 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;
- s) 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;
- t) To reprimand, suspend or dismiss erring officials and employees of the Loan Board based on the existing rules, regulations and guidelines passed by the Loan Board and the rules and regulations of the Civil Service Commission;
- u) To report to the Office of the President on a monthly basis; and
- v) To perform such other powers and functions as may for the effective implementation of this Act.

SEC. 8. *Term of Office.* - The members of the Loan Board shall hold office for a term of three (3) years after their appointment or until their successors shall have been appointed or qualified. Should a member of the Loan Board fail to complete the term, a successor shall be appointed by the President for the unexpired portion of the term.

SEC. 9. *Meetings of the Loan Board.* - The Loan Board shall hold twelve (12) regular board meetings every first Monday of the month. The Chairperson of the Loan Board may call a special meeting when necessary: *Provided*, That the members are notified in writing at least three (3) working days prior to said meeting. As Chairperson of the Loan Board, the chairperson of the CHED shall be the presiding officer during board meetings. In the absence of the Chairperson of the CHED, a CHED Commissioner duly designated by him/her shall represent him/her in the meeting with all the rights and responsibilities of a regular member: *Provided*, however, That during this meeting, the Director-General of the TESDA, who is the Co-Chairperson of the Loan Board, shall be the Presiding Officer: *Provided, further*, that in the absence of both the Chairperson and the Co-Chairperson, the DSWD Secretary, who is the Vice-Chairperson of the Loan Board, shall act as the Presiding Officer.

SEC. 10. *Quorum for 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 Loan Board Members. All meetings convened without the said quorum shall be deemed null and void.

SEC. 11. *The Executive Committee of the Loan Board.* - There shall be created an Executive Committee of the Loan Board, which shall serve as the secretariat to carry out the functions of the Loan Board. It shall be composed of the Executive Director and ten (10) Executive Committee Members.

SEC. 12. *Powers and Functions of the Executive Committee.* - 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 Loan Board;
- b) To review, evaluate and assess programs, plans of action and/or agenda of the Loan Board;
- c) To implement the orders, rules, regulations and guidelines passed by the Loan Board;
- d) To plan, implement and monitor annual work programs and to evaluate and submit annual reports to the Loan Board in pursuance of the objectives of this Act;
- e) To conduct investigation, receive documentary proof and determine who are qualified or eligible to avail themselves of the National Student Loan Program based on the provisions of this Act;
- f) To maintain, update and submit to the Loan Board all data concerning the loan program and its beneficiaries;
- g) To review, evaluate and assess the academic standing of loan borrowers on a regular basis for submission to the Loan Board;
- h) To conduct annual spot and random inspections on borrowers and to determine their credit standing and whereabouts after graduation;
- i) To issue certificates, upon approval of the Loan Board, which shall be valid anywhere in the Philippines as proof of the eligibility of the student loan borrower who will avail himself/herself of the National Student Loan Program;
- j) To recommend the cancellation of certificates and/or revocation of loans; and
- k) To perform such other powers and functions as may be determined by the Loan Board.

SEC. 13. *Executive Director of the Executive Committee of the Loan Board.* – The Loan Board shall appoint an Executive Director who shall head the Executive Committee of the Loan Board. He/She must be a natural-born citizen of the Philippines and must be a holder of Career Executive Service Officers (CESO) eligibility.

The Executive Director shall receive a monthly compensation equivalent to salary grade 28. He/She shall serve a term of three (3) years and can be reappointed for another term.

SEC. 14. *Executive Committee Members.* – There shall be ten (10) Executive Committee 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 National Student Loan Board. Each Executive Committee 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 Loan Board. The term of the Executive Committee Members shall be coterminous with that of the Executive Director.

SEC. 15. *Loan Board Staff/Employees.* – The Loan Board shall determine the number of staff/employees needed to carry out the functions of the Board, subject to Civil Service rules and regulations. The Civil Service Commission shall likewise provide for the qualifications and compensation of applicants based on existing rules and regulations on the hiring of civil servants.

SEC. 16. *National Student Loan Trust Fund.* - The Loan Board shall establish a Loan Trust Fund for CHED and TESDA to cover the tuition, miscellaneous and other school fees and other educational expenses of the student borrower under the National Student Loan Program. The amount derived from loan repayments of borrowers, which include payment for the principal and interests, shall accrue to the Loan Trust Fund.

SEC. 17. *Loanable Amount.* - The Loan Board shall determine the maximum amount that can be availed of by student loan borrowers. Educational loans under this Act may cover matriculation and other school fees and educational expenses for books, subsistence, and board and lodging: *Provided*, that amounts covering payments for tuition and other school fees shall be paid directly to the school concerned.

The loans available to student borrowers shall be subject to the following terms and conditions:

- a) Availability – Loans under the National Student Loan Program shall be available for post-secondary non-degree and undergraduate degree

programs under the TESDA and tertiary or degree programs under the CHED, respectively. This program shall not cover postgraduate courses;

- b) Loan Size – The loanable amount shall be equivalent to the prevailing cost per academic unit at the University of the Philippines multiplied by twenty-one (21) academic units or subject to the decision of the Loan Board;
- c) Loan Applicability – The loan shall be applicable to the school of choice of the student loan borrower, whether it is a public or private school offering post secondary technical or vocational courses or college degree programs, to cover tuition fees and living allowance. Amounts in excess of the loan needed to cover the student borrower's needs shall have to be derived from other sources.
- d) Drawdown – Upon approval of a loan, an amount equivalent to the tuition of the student loan borrower 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 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. 18. *Interest Rate and Loan Collection Scheme.* – In the formulation of policies regarding the interest and loan repayment or collection scheme for the National Student Loan Program, the following principles must be observed:

- a) Any loan granted shall be paid by the student-debtor after he has finished the course or profession for which the proceeds of the loan were expended, but only after a period of two (2) years from the time he has acquired gainful employment: *Provided*, That the government shall endeavor to give priority to students under the program in obtaining possible employment.
- b) Voluntary repayment of loans shall start anytime the loan borrower wants to pay even before finishing the course or having gainful

employment: *Provided*, That a reduced rate of five percent (5%) per annum shall apply;

- c) Interest at the rate of not more than five percent (5%) per annum shall be applied to the loan or the balance thereof. The Loan Board shall formulate a loan collection scheme table as guide of the deputized bank and all concerned agencies in computing interest rates; and
- d) The NBI shall determine the employment status and whereabouts of the delinquent loan borrowers for clearance application and/or renewal.

SEC. 19. *Qualification Requirements of Applicant.* – A student eligible under this Act shall have the following entry requirements:

- 1) Filipino citizen;
- 2) Currently enrolled or intend to enroll in any of the courses to be determined by CHED or TESDA;
- 3) Has parents or guardians with a gross annual income to be determined by the NEDA income bracket;
- 4) Has stopped schooling for more than one year due to valid reasons, but intends to return to school to finish the remaining semesters required by the course or program; and
- 5) Does not enjoy any scholarship or study grant.

SEC. 20. *Limitations.* - The right of any qualified student to avail himself of the loan assistance under this Act shall not apply when:

- (1) He/she fails for one (1) school year in the majority of the academic subjects in which he has enrolled during the course of his study unless such failure is due to some valid cause beyond his control;
- (2) He/she has been declared absent without official leave (AWOL) or is permanently disqualified or expelled from the educational institution where he is enrolled in;
- (3) He/she stops schooling for one (1) school year unless such is due to some valid cause beyond his control; and
- (4) He/she is convicted of any crime.

SEC. 21. *Implementing Rules and Regulations.* - The CHED and TESDA shall, within sixty (60) days from the effectivity of this Act, issue such rules and regulations necessary for the proper implementation of this Act.

SEC. 22. *Appropriations.* - There is hereby appropriated the amount of P1 billion (P1,000,000,000.00) out of the funds in the National Treasury, not otherwise appropriated, to be used to finance the National Student Loan Program to carry out the provisions of this Act. Thereafter, such sum as may be necessary for its continued implementation shall be included in the Annual General Appropriations Act.

SEC. 23. *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. 24. *Separability Clause.* - If any provision of this Act is held invalid or unconstitutional, other provisions not affected shall continue to be in full force and effect.

SEC. 25. *Effectivity.* This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,