

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

Fifteenth Congress
First Regular Session

House Bill No. 3719

**Introduced by Honorable Roy M. Loyola and
Honorable Erineo S. Maliksi**

EXPLANATORY NOTE

At present, there could be no denying the fact that capable and deserving students are prevented from pursuing post-secondary education due to their dire financial situation. While it is true that State is desperately trying to address the situation, but with limited scope and coverage of existing state scholarships and grants, the results have lots to be desired from. While included in the term "financial aid", higher education loans differ from scholarships and grants in the sense that the former must be paid back by the student. Therefore, in view of the limited funds available for the State to support its program of educational grants, scholarships, and dole-outs, it is apparent that educational loan is the more viable solution to the problem.

The first legislation on student loans was approved as early as 1969, when the Student Loan Fund Authority was set up under the then Department of Education and Culture. However, it failed to live up to expectations and was eventually abolished in 1976.

On 13 May 1976, a "Study Now Pay Later Plan" (SNPL) was instituted by Presidential Decree No. 932. Thereafter, it was succeeded by

Republic Act No. 6728 otherwise known as "Government Assistance to Students and Teachers in Private Education Act", as amended by Republic Act No. 8545, otherwise known as "The Expanded Government Assistance to Students and Teachers in Private Education Act".

Sadly, these old SNPL programs of the State were marred with serious flaws, namely, negligible loan amounts, low coverage, very limited slots, and low repayment rates.

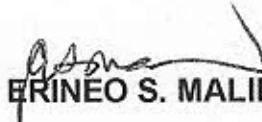
This bill seeks to address the shortcomings of the old "Study Now Pay Later Plan" by rationalizing its provisions. Initially, within five (5) years from its approval, the coverage is made limited to cover only those enrolled or intending to enrol in technical vocational education and training certified by the TESDA as priority. Thereafter, it will be made to apply to all technical vocational education and training and to all degree courses. The loanable amounts, so as to make an impact, will be increased to an amount not less than seventy-five percent (75%) of the student-borrower's tuition. An efficient system of collection is also enjoined. The Government Security Insurance Service (GSIS) and the Social Security System (SSS) are mandated to act as collection agents for the CHED and TESDA. For this purpose, the GSIS and SSS are given the power to assess students-borrowers of their monthly loan repayment amortizations and the concerned employers are given the authority to automatically withhold and deduct said loan repayments from the salaries of the student-borrowers.

Through a dynamic, efficient, and effective student loan program, wherein qualified students will be able to finance their tertiary education through a loan from the State and pay their indebtedness at a latter date when they are in a position to do so, that is, when they already have jobs, the State could finally comply with its elusive Constitutional mandate of protecting and promoting the right of all its citizens to quality education.

In light of the foregoing, we earnestly urge our esteemed colleagues in the House of Representatives to join us in seeking immediate approval of this Bill.



HON. ROY M. LOYOLA



HON. ERINEO S. MALIKSI

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**AN ACT INSTITUTING A COMPHREHENSIVE STUDENT LOAN PROGRAM FOR
ALL POST-SECONDARY EDUCATION ON A "STUDY NOW PAY LATER"
SCHEME AND FOR OTHER PURPOSES.**

*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 "Study Now Pay Later
Act of 2010".

SECTION 2. Declaration of Policy. The State is mandated by the Constitution to protect and promote the right of all its citizens to quality education at all levels, make such education accessible to all, and maintain a system of scholarship grants, student loan programs, subsidies, and other incentives. In view of the limited funds available for scholarship grants, scholarships and dole-outs, the State turn to a comprehensive loan program as a more viable solution to providing its citizen with equal opportunity to higher education. While it is true that "Study Now Pay Later" programs have been implemented by the State in the past, the same proved to be ineffective, inefficient, and

unsuccessful in fulfilling its purpose. Thus, the need to rationalize, to make it more adoptable to the present situation, by increasing its coverage, instituting a more efficient loan collection system, and simplify its operation.

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

- 1) **“Study Now Pay Later Program”** refers to the loan facility established by the government offered to poor but deserving student-borrowers enrolled in or intending to enrol in any post secondary education.
- 2) **“Student-borrower”** refers to a person enrolled in or intends to enrol in post secondary education who qualifies to draw from the Study Now Pay Later Plan established in this Act to support his/her post-secondary education.
- 3) **“Post-secondary Education”** refers to any education, training and/or instruction from any institution duly recognized and/or accredited by the CHED and TESDA, the completion of which are attested by a diploma or certificate issued by or with the permission and authority of the CHED or TESDA, respectively;
- 4) **“Degree Course”** refers to formal education offered by institutions of higher learning recognized by the Commission on Higher Education (CHED).
- 5) **“Technical Vocational Education and Training”** refers to non-degree vocational and technical short courses offered by the Technical Education and Skills Development Authority (TESDA) or offered by other similar institutions accredited and/or recognized by TESDA.

SECTION 4. Administration of the Study Now Pay Later Program. The Commission on Higher Education (CHED) shall have administrative control and supervision over loans granted to student-borrowers enrolled in degree courses. The Technical Education and Skills Development Authority (TESDA) shall have administrative control and supervision over loans granted to student-borrowers enrolled in technical vocational education and training. To accomplish the foregoing task, the CHED and the TESDA are hereby granted the following powers and functions:

- a) Formulate policies, standards, and guidelines necessary for the implementation of this Act;
- b) Develop an efficient system of disbursement and collection of payments of loans granted under this Act, including but not limited to entering into agreements with the Government Service Insurance System (GSIS), the Social Security System (SSS), private and public banks and banking intermediaries, and other government financial institutions;
- c) Issue rules and regulations necessary to carry-out the provisions of this Act;
- d) Exercise such other powers and functions reasonably necessary for the proper implementation of this Act;

SECTION 5. Qualification of Student-borrowers. Any Filipino citizen who possesses the qualifications herein provided are eligible to draw a loan under the "Study Now Pay Later" program:

1. Not more than thirty (30) years old at the time of application for the loan;
2. Must be enrolled in or must have complied with all the enrolment and admission requirements of the college or university he/she intends to enrol in;
3. Must have a rating of 75% or above in the National Secondary Achievement Test (NSAT) or other equivalent tests;
4. The parents or guardians have a gross income of not more than P180,000.00;
5. Must not be enjoying any other scholarship or study grant;
6. Must not have been convicted of any crime involving moral turpitude;
7. If the student-borrower is availing of a student loan for the second time or oftener, he must sufficiently show that he/she has passed all his subjects and have a weighted average of 2.5 or higher, or its equivalent, in the semester immediately preceding his/her loan application; and
8. Must have attended the orientation program called for the purpose.

SECTION 6. Coverage. Within five (5) years from effectivity of this Act, loans granted to student-borrower shall be limited to technical vocational education and training declared by the TESDA as priority. Thereafter, loans granted to student-borrowers shall be made available to all technical and vocational education and

trainings, and all to degree courses in all institutions of higher learning. This Act shall not cover post-graduate courses.

SECTION 7. Amount of Loan. The CHED and the TESDA shall determine the maximum amount a student-borrower can avail under this Act, which may cover tuition fees, and other educational expenses such as, but not limited to books, subsistence, board and lodging. Provided, loans for tuition fees shall in no case fall below seventy-five percent (75%). Provided further, loans granted for payment of tuition fees shall be directly payable to the school concerned.

SECTION 8. Terms, Interest Rates, Repayment and Others. The CHED and the TESDA shall determine the interest rate, terms of payment, and other conditions of payment of the loans under their respective control and supervision, subject to the following:

1. Voluntary repayments may start anytime the student borrower wants to pay;
2. Interest rate shall in no case be more than six (6) percent per annum;
3. Loan repayments shall commence not earlier than two (2) years after the student-borrower graduates from the course he/she took and is able to land a job;
4. Loans granted to student-borrowers shall be payable in one hundred twenty (120) equal monthly instalments or ten (10) years. Provided, loan amortizations shall in no case be more than thirty percent (30%) of the student-borrower's monthly salary. *Provided further*, the CHED and the

TESDA are hereby authorized to extend the term in case the monthly salary of the student-borrower is inadequate to pay his loan within the ten (10) year period taking into consideration the thirty percent (30%) monthly amortization cap. *Provided finally*, the student-borrower shall not be made to pay monthly amortizations while he/she is unemployed;

5. For purposes of this Act, the CHED and the TESDA shall enter into an agreement with the SSS and GSIS for it to act as collection agent. The employer of the student-borrower is hereby authorized to automatically deduct such instalments due from the student-borrower's salary and remit the same to the respective accounts the GSIS or SSS;
6. To ensure continued viability of this SNPL Program, the CHED and TESDA through the program's Implementing Rules and Regulations to be issued subsequent hereto, and through stipulations in the Student Loan Agreement may require the student-borrower not to depart from the Philippines and work aboard until his/her loan has been fully settled. The student-borrower shall be required to submit an undertaking of such fact as a requirement for the release of the proceeds of the student loan. Provided, the foregoing notwithstanding, should the student-borrower still desire to work aboard, he/she shall then be required to fully settle his/her outstanding obligations for loans granted in this Act;
7. The Department of Labor is hereby mandated to adopt pro-active policies, plans and programs to assist the student-borrower to find employment from within the Philippines.

SECTION 9. Implementing Rules and Regulations. The CHED and TESDA respectively, shall within six (6) months from effectivity of this Act issue the necessary rules and regulations to carry out the provisions hereof.

SECTION 10. Appropriations. The amount of One Billion Pesos (P1,000,000,000.00) out of funds in the National Treasury not other wise earmarked for any other purpose are hereby appropriated to carry-out the provisions of this Act.. Thereafter, such sum necessary for its continued operation shall be included in the annual General Appropriations Act.

SECTION 11. Separability Clause. If any provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall continue to be in full force and effect.

SECTION 12. Repealing Clause. All laws, decrees, and/or executive orders inconsistent with this Act are hereby repealed and/or modified accordingly.

SECTION 13. Effectivity. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,