

Republic of the Philippines
SENATE OF THE PHILIPPINES
Pasay City



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SIXTEENTH CONGRESS
First Regular Session

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S. B. No. 2169

INTRODUCED BY SENATOR SONNY ANGARA

AN ACT ESTABLISHING A VOLUNTARY STUDENT LOAN PROGRAM BY PRIVATE BANKS, PROVIDING INCENTIVES THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This bill is a counterpart of House Bill 3617 entitled, "An Act Establishing a Voluntary Student Loan Program by Banks and Government Financial Institutions, Providing Incentives Therefore and for Other Purposes," also known as the "Voluntary Student Loan Program Act," principally authored in the Lower House by Congressman Roman T. Romulo. This author agrees with the intent of the bill to encourage banks and government financial institutions to help in providing our students the needed financial assistance that would enable them to obtain post-secondary and college and post-graduate degrees.

Despite the National Government's mandate to make education accessible to all Filipinos, the reality is that many impoverished Filipino families remain unable to send their children to school. Even with the government's existing programs, it is apparent that available financial assistance to students are not enough to cater to those who are in need.

In a recent study commissioned by the Commission on Higher Education (CHED) on the different student financial assistance programs being implemented by the government, it showed that these programs have only assisted around 60,000 students in 2011 or about 2% of approximately 2.7 million students, indicating a minimal coverage in terms of number of students accommodated.


The proposed bill aims to assist eligible students to obtain post-secondary technical-vocational certificates or diplomas, and college and post-graduate degrees, by encouraging banks and government financial institutions to allot a portion of their loanable funds for loans available to students, to be repaid in instalments after the student graduates. Participating banks, in turn, are entitled to certain incentives under the bill. This is envisioned to complement the existing financial assistance programs being implemented by the government, to help meet our students' needs.

In view of the foregoing, approval of this bill is earnestly sought.


HON. SONNY ANGARA

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AN ACT ESTABLISHING A VOLUNTARY STUDENT LOAN PROGRAM BY PRIVATE BANKS, PROVIDING INCENTIVES THEREFOR AND FOR OTHER PURPOSES

1 **SECTION 1. *Short Title.*** – This Act shall be known as the “Voluntary Student Loan
2 Program Act”.

3
4 **SEC. 2. *Declaration of Policy.*** – It shall be a policy objective of the State to assist
5 eligible students to obtain post-secondary technical vocational certificates or diplomas
6 from technical-vocational institutes and college and post-graduate degrees from higher
7 education institutions by encouraging banks and government financial institutions to lend
8 money to eligible students, to be repaid in instalments after the student graduates or
9 leaves the educational institutions.

10
11 **SEC. 3. *Definition of Terms.*** – For purposes of this Act, the following terms shall
12 mean:

- 13
14 a) *CHED* refers to the Commission on Higher Education.
- 15
16 b) *Eligible student* refers to a student who meets the admission requirements of a
17 technical-vocational institute (TVI) or higher education institution (HEI) and has been
18 accepted for enrolment in a post-secondary TVI as a non-degree student or in an HEI
19 as an undergraduate or post-graduate student.
- 20
21 c) *Higher Education* refers to college and graduate education or training in an educational
22 program leading to a degree offered in HEIs. It is also known as tertiary education.
- 23

- 1 d) *Higher education institution (HEI)* refers to an educational institution that is legally
2 authorized to offer a program of education leading to the conferment of a degree.
3
- 4 e) *Lender* refers to a private bank which provides loans to student borrowers pursuant to
5 this Act.
6
- 7 f) *Post-secondary education* refers to education and training in non-degree vocational
8 and technical courses offered in post-secondary TVIs.
9
- 10 g) *Priority eligible student* refers to an eligible student who is an immediate member of a
11 family where no other immediate member of such family is enrolled in or has
12 completed post-secondary or higher education at the time of the loan application.
13
- 14 h) *Private banks* refer to commercial, rural, thrift, cooperative and other types of banks
15 where the majority of the capital stocks are owned and operated by the private sector
16 and which are registered and directly supervised by the Bangko Sentral ng Pilipinas
17 (BSP).
18
- 19 i) *Student-borrower* refers to an eligible student with a loan under this Act.
20
- 21 j) *Technical-vocational institute* refers to a technical-vocational education and training
22 institution accredited by the Technical Education and Skills Development Authority
23 (TESDA) which offers any non-degree program at the post-secondary educational
24 level oriented towards skills proficiency leading to a certificate or diploma in
25 preparation for a particular occupation or group of middle-level occupations.
26
- 27 k) *TESDA* refers to the Technical Education and Skills Development Authority as
28 established under Republic Act No. 7796, otherwise known as the "TESDA Act of
29 1994".
30

1 **SEC. 4. Registration of Student Loan Program Under this Act.** – Private banks
2 participating in the student loan program may allot a portion of their loanable funds for loan
3 to eligible students. Such banks participating in the program may be entitled to avail
4 themselves of the incentives under this Act by the registration of their student loan program
5 with the BSP.

6
7 In addition, the BSP shall provide other incentives which may be nonmonetary to
8 private banks participating in the voluntary student loan program under this Act.

9
10 **SEC. 5. Loan Coverage.** – The loan may either cover the entire or part of the cost
11 of the program offered by the TVI or HEI including, but not limited to, tuition and
12 miscellaneous fees: *Provided,* That adjustments shall be made in case of increase in
13 tuition and miscellaneous fees. It shall likewise include an amount for the cost of
14 attendance, covering necessary expenses of the student for books, food, transportation,
15 board and lodging and a reasonable allowance for projects and other school requirements.

16
17 **SEC. 6. Student-Borrower Number.** – For proper implementation of this act and
18 to better facilitate the collection of the loan, the Social Security System (SSS) and the
19 Government Service Insurance System (GSIS) shall issue, upon application, an SSS or
20 GSIS number to the student-borrower. The number so issued shall serve as the
21 permanent SSS or GSIS number of the student-borrower in case of future employment
22 with the private or government sector.

23
24 **SEC. 7. Qualification Requirements of Student-Borrower.** – Any student-
25 borrower eligible under this Act shall have the following entry requirements:

26
27 a. General entry requirements:

- 28 1. Must be a Filipino Citizen;
- 29 2. Currently enrolled or intends to enrol or re-enroll in any of the priority
30 courses to be determined by the CHED or TESDA;

- 1 3. Has parents or guardians who are GSIS or SSS members or SSS prior
- 2 registrants; and
- 3 4. Does not currently enjoy any scholarship or study grant;
- 4 b. Additional specific entry requirement for priority eligible student:
- 5 1. Barangay certification that no other immediate family member of the
- 6 student is enrolled or has completed a post-secondary higher education at
- 7 the time of the loan application; or
- 8 2. Notarized self-certification that no other immediate family member of the
- 9 student is enrolled or has completed a post-secondary higher education at
- 10 the time of the loan application; and
- 11 c. Other requirements as may be determined by banks.
- 12

13 **SEC. 8. Loan Application.** – Any eligible student borrower may file the loan
14 application with a participating private bank. A loan application shall include, among
15 others:

- 16
- 17 a. The student SSS or GSIS number;
- 18 b. The taxpayer's identification number (TIN) of the student, in case one
- 19 is employed;
- 20 c. The list of expenses which shall include the total tuition fees for the
- 21 entire period of attendance to complete the student's course or degree,
- 22 with a necessary allowance for any increase that the TVI or HEI may
- 23 rightfully make and the other miscellaneous expenses certified by the
- 24 educational institution;
- 25 d. A reasonable approximation of the cost of attendance of the student in
- 26 the chosen TVI or HEI which shall include, among others, the cost of
- 27 books, food, board, lodging and transportation expenses;
- 28 e. A statement of the student-borrower on the preferred employer in the
- 29 future, whether with the private or public sector; and
- 30 f. All other requirements that the participating private bank may impose
- 31 for the proper identification of the student.

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SEC. 9. Loan Disbursement. - Upon approval of the loan application, the loan shall be disbursed in tranches every semester or trimester, or any other term of attendance, depending on the academic calendar adopted by the TVI or HEI. Any succeeding tranche shall be disbursed on the condition that the student-borrower completes the term previously enrolled in as certified by the TVI or HEI. The tuition and miscellaneous fees payable to the educational institution shall be disbursed or be made payable directly to the TVI or HEI.

SEC. 10. Withholding of Second or Subsequent Disbursement. - A lender who receives information that the student-borrower has ceased to be enrolled before the disbursement of the second or any succeeding instalment shall withhold such disbursement. Any disbursement which is so withheld shall be credited to the student-borrower's loan and treated as a prepayment thereon.

SEC. 11. Interest Rate and the Five Percent (5%) additional Interest as Allowable Deduction. - For any loan procured under this Act, lenders shall charge an interest based on the prevailing ninety-one (91) Treasury Bill rate at the time of release of the loan to be paid by the student-borrower, and an additional interest of three percent (3%) and in case of loans to priority eligible students an additional interest of five percent (5%), which shall not be payable by the student but may be claimed by the lender as a deduction from income: *Provided*, That the additional five percent (5%) interest shall be allowed as a deduction from gross income for the same taxable year that the additional interest is due: *Provided, further*, That the total amount of the additional interest and the claimed tax deduction shall be subject to proper documentation and to the provisions of the National Internal Revenue Code, as amended.

SEC. 12. Terms and Conditions of Loans. - Any loan agreement shall:

- a. Be evidenced by a note or other written instrument which provides for repayment of the principal amount of the loan, together with the interest thereon, in equal instalments or when the borrower so requests, in graduated periodic instalments, payable quarterly, bimonthly or monthly at the option of

1 the student-borrower, over a period beginning not earlier than twenty-four (24)
2 months after the student-borrower ceases attending the TVI or HEI, and ending
3 eight (8) years after such date, except that such period may begin earlier than
4 twenty-four (24) months upon the request of the student-borrower;

5
6 b. Include a provision for acceleration of repayment of the whole or any part of
7 the loan, at the option of the student; and

8
9 c. Include a provision for preferential employment of the student-borrower in
10 private banks or in the government upon graduation.

11
12 **SEC. 13. Collection.** – A lender shall file a request with GSIS or SSS to collect the
13 repayment of the loan through its system of salary deduction and withholding. It may likewise
14 enter into an arrangement with the Philippine Overseas Employment Administration (POEA) and
15 the Overseas Workers Welfare Administration (OWWA) to ensure collection from the student-
16 borrower seeking employment abroad.

17
18 **SEC. 14. Program Administration.** – An interagency team composed of the CHED,
19 TESDA, BSP, the Bankers Association of the Philippines (BAP), the Chamber of Thrift Banks
20 (CTB), the Credit Information Corporation (CIC) and the Rural Bankers Association of the
21 Philippines (RBAP) shall be jointly responsible for policy guidance and direction, monitoring and
22 evaluation of the student assistance program under this Act. The CHED and the TESDA shall act
23 as chair and co-chair, respectively, of the said team.

24
25 **SEC. 15. Implementing Rules and Regulations.** – The CHED, TESDA, the Department
26 of Finance (DOF) and the BSP, in consultation with the SSS, GSIS, the Bureau of Internal Revenue
27 (BIR), the National Bureau of Investigation (NBI), the POEA, CIC, the Coordinating Council of
28 Private Educational Associations (COCOPEA) and the Philippine Association of State Universities
29 and Colleges (PASUC), shall promulgate such rules and regulations necessary for the proper
30 implementation of this Act within ninety (90) days from its effectivity.

1 **SEC. 16. Separability Clause.** If any provision of this Act is declared unconstitutional or
2 invalid, the other sections or provisions not otherwise affected shall continue to be in full force
3 and effect.

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5 **SEC. 17. Effectivity Clause.** This Act shall take effect fifteen (15) days after its publication
6 in at least two (2) newspapers of general circulation.

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8 Approved,

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