

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

'13 JUL -8 A 8 :08

SENATE

RECEIVED BY: *ju*

S. B. 508

Introduced by SENATOR CYNTHIA 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.

Cynthia Villar
CYNTHIA A. VILLAR



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**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:*

1 Section 1. *Short Title.* - *This Act shall be known as the "National Student Loan*
2 *Program Act of 2013."*

3
4 Sec. 2. *Declaration of Policy.* - It is the declared policy of the State to protect
5 and promote the right of all citizens to quality education at all levels and shall take
6 appropriate steps to make such education accessible to all. Further, it is a declared
7 State policy to establish and maintain a system of scholarship grants, student loan
8 programs, subsidies, and other incentives which shall be available to deserving
9 students in both public and private schools, especially to the underprivileged. For these
10 reasons, the National Student Loan Program is hereby established to provide for a more
11 effective loan assistance program, and to institute a system for efficient loan collection.

12
13 Sec. 3. *Definition of Terms.* - For purposes of this Act, the following terms shall
14 mean:

15
16 (a.) National Student Loan Program refers to the government educational loan
17 program which shall be designed to promote democratization of access to
18 educational opportunities in post-secondary and tertiary levels to qualified
19 students through financial assistance in the form of an educational loan;

20
21 (b.) National Student Loan Fund, hereinafter called the "Fund," refers to a
22 cross-subsidy benefit fund to be collected by the National Government
23 and lent to qualified borrowers as hereinafter defined;

24
25 (c.) National Student Loan Board, hereinafter called the "Loan Board," refers
26 to a governing body under the Office of the President tasked to formulate
27 policies, guidelines and rules and regulation for the operation,
28 management and supervision of the national student loan fund for the
29 National Student Loan Program and to implement the provisions of this
30 Act;

- 1 (d.) Student Loan Borrower refers to a qualified beneficiary who draws from
2 the National Student Loan Fund to support his or her post-secondary or
3 tertiary education;
4
- 5 (e.) Deserving Students refers to students qualified under this Act and who
6 have the ability to continue and finish a post secondary or tertiary
7 education: Provided, that they are currently enrolled or intend to enroll in
8 any of the priority courses subsequently identified and determined by
9 CHED and TESDA;
10
- 11 (f.) Delinquent Borrower refers to a student-borrower under the National
12 Student Loan Program who has not paid in full for a period of three and a
13 half years after graduation and gainful employment;
14
- 15 (g.) Post Secondary Education refers to the education and training in non-
16 degree vocational and technical courses offered in post-secondary
17 vocational and technical education institutions, or education in degree
18 courses offered by higher educational institutions, the completion of which
19 are attested by a certificate or diploma issued by or with permission of the
20 Technical Education and Skills Development Authority (TESDA);
21
- 22 (h.) Tertiary Education refers to the education and training in degree programs
23 offered in higher education institutions, the completion of which are
24 attested by the Commission on Higher Education (CHED);
25
- 26 (i.) Tuition Fee refers to the fees representing direct cost of instruction,
27 training and other related activities and for the student's use of the
28 instruction and training facilities;
29
- 30 (j.) Miscellaneous Fees and Other School Fees refers to those fees which
31 cover other necessary costs supportive of instruction, including, but not
32 limited to medical and dental, athletic, library and laboratory fees;
33
- 34 (k.) Educational Expenses refers to the expenses related to the education of
35 the student, such as books, subsistence and board and lodging, but
36 excluding tuition and miscellaneous and other school fees;
37
- 38 (l.) Clearance refers to the certification issued by the National Bureau of
39 Investigation indicating whether or not the student borrower has fully paid
40 the loan.
41

42 **SEC. 4. National Student Loan Board.** - To carry out the purposes of this Act, there
43 shall be created, a National Student Loan Board to implement a National Student Loan
44 Program for deserving students. This Board will be under the Office of the President of
45 the Philippines, but in close coordination with the Commission on Higher Education
46 (CHED) and the Technical Education and Skills Development Authority (TESDA).
47
48

49 The National Student Loan Board, hereinafter referred to as the Loan Board,
50 shall be a governing body that shall formulate policies, guidelines, and rules and
51 regulations necessary for the operation, management and supervision of the National
52 Student Loan Fund and the National Student Loan Program for Post Secondary and
53 Tertiary Education.
54

55 **SEC. 5. Composition of the Loan Board.** - The Loan Board created under this Act
56 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;

- 1 g) To plan, implement and monitor annual work programs, as well as
2 evaluate, and submit annual reports in pursuance of the objectives of this
3 Act;
- 4 h) To conduct investigation, receive documentary proof, and determine who
5 are the eligible students based on the provisions in this Act;
- 6
7 i) To institute a system within the National Bureau of Investigation that shall
8 state in the NBI clearance issued to the applicant whether or not he or she
9 has unpaid loans from the National Student Loan Program;
- 10
11 j) To plan and implement a program of generating funds for the loan
12 program to finance the education of students who qualify under the
13 provisions of this Act: *Provided*, however, That the distribution of loans to
14 the various cities and provinces shall be in proportion to their population:
15 *Provided, further*, That support for student recipients shall be given until
16 they finish their course of study; *Provided, finally*, that student debtors
17 shall not be entitled to financial aid for subjects that they repeat on
18 account of failure or dropping of subjects;
- 19
20 k) To receive donations, legacies, gifts and other forms of contribution,
21 whether in cash or in property, from both public and private sources here
22 and abroad, which shall accrue to the special fund created under this Act,
23 and to receive and utilize the services and assistance of experts:
24 *Provided*, that such donations, legacies and contributions shall be exempt
25 from taxation and shall be allowable deductions for income tax purposes;
- 26
27 l) To be the repository of data and information about student borrowers
28 under the National Student Loan Program;
- 29
30 m) To maintain and regularly update every six (6) months, the lists of qualified
31 student loan borrowers and the priority courses being offered in public and
32 private post secondary and tertiary educational institutions;
- 33
34 n) To issue certificates which shall be valid anywhere in the country as proof
35 of the eligibility of the student loan borrower to avail himself/herself of the
36 loan program;
- 37
38 o) To cancel the certificates issued based on the grounds under Section 21
39 thereof;
- 40
41 p) To appoint the necessary staff and/or employees of the Loan Board;
- 42
43 q) To cancel, suspend, or revoke loans in cases of deceit, fraud or cheating
44 of any kind on the part of the borrower;
- 45
46 r) To be the trustees for the Investment Portfolio of the Fund, which shall be
47 created out of its excess over semestral operating and lending
48 requirements;
- 49
50 s) To appoint an investment manager for the Investment Portfolio, should it
51 be deemed necessary: *Provided*, That such appointment should not
52 exceed three (3) years, and subject to performance review prior to
53 renewal;
- 54
55 t) To reprimand, suspend or dismiss erring officials and employees of the
56 Loan Board based on the existing rules, regulations and guidelines

1 passed by the Loan Board and the rules and regulations of the Civil
2 Service Commission;

- 3
4 u) To report to the Office of the President on a monthly basis; and
5 v) To perform such other powers and functions as may for the effective
6 implementation of this Act.
7

8 SEC. 8. *Term of Office.* - The members of the Loan Board shall hold office for a
9 term of three (3) years after their appointment or until their successors shall have been
10 appointed or qualified. Should a member of the Loan Board fail to complete the term, a
11 successor shall be appointed by the President for the unexpired portion of the term.
12

13 SEC. 9. *Meetings of the Loan Board.* - The Loan Board shall hold twelve (12)
14 regular board meetings every first Monday of the month. The Chairperson of the Loan
15 Board may call a special meeting when necessary: *Provided*, That the members are
16 notified in writing at least three (3) working days prior to said meeting. As Chairperson
17 of the Loan Board, the chairperson of the CHED shall be the presiding officer during
18 board meetings. In the absence of the Chairperson of the CHED, a CHED
19 Commissioner duly designated by him/her shall represent him/her in the meeting with all
20 the rights and responsibilities of a regular member: *Provided*, however, That during this
21 meeting, the Director-General of the TESDA, who is the Co-Chairperson of the Loan
22 Board, shall be the Presiding Officer: *Provided, further*, that in the absence of both the
23 Chairperson and the Co-Chairperson, the DSWD Secretary, who is the Vice-
24 Chairperson of the Loan Board, shall act as the Presiding Officer.
25

26 SEC. 10. *Quorum for Loan Board Meetings.* All regular and emergency meetings
27 shall only be convened with a quorum of at least fifty *per centum* (50%) plus one (1) of
28 the regular Loan Board Members. All meetings convened without the said quorum shall
29 be deemed null and void.
30

31 SEC. 11. *The Executive Committee of the Loan Board.* - There shall be created
32 an Executive Committee of the Loan Board, which shall serve as the secretariat to carry
33 out the functions of the Loan Board. It shall be composed of the Executive Director and
34 ten (10) Executive Committee Members.
35

36 SEC. 12. *Powers and Functions of the Executive Committee.* - The Executive
37 Committee, headed by the Executive Director, shall have the following powers and
38 functions:
39

- 40 a) To recommend the approval of loan applications by the Loan Board;
41 b) To review, evaluate and assess programs, plans of action and/or agenda
42 of the Loan Board;
43 c) To implement the orders, rules, regulations and guidelines passed by the
44 Loan Board;
45 d) To plan, implement and monitor annual work programs and to evaluate
46 and submit annual reports to the Loan Board in pursuance of the
47 objectives of this Act;
48 e) To conduct investigation, receive documentary proof and determine who
49 are qualified or eligible to avail themselves of the National Student Loan
50 Program based on the provisions of this Act;
51 f) To maintain, update and submit to the Loan Board all data concerning the
52 loan program and its beneficiaries;
53 g) To review, evaluate and assess the academic standing of loan borrowers
54 on a regular basis for submission to the Loan Board;
55 h) To conduct annual spot and random inspections on borrowers and to
56 determine their credit standing and whereabouts after graduation;

- 1 i) To issue certificates, upon approval of the Loan Board, which shall be
2 valid anywhere in the Philippines as proof of the eligibility of the student
3 loan borrower who will avail himself/herself of the National Student Loan
4 Program;
5 j) To recommend the cancellation of certificates and/or revocation of loans;
6 and
7 k) To perform such other powers and functions as may be determined by the
8 Loan Board.
9

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

14 The Executive Director shall receive a monthly compensation equivalent to salary
15 grade 28. He/She shall serve a term of three (3) years and can be reappointed for
16 another term.
17

18 SEC. 14. *Executive Committee Members.* – There shall be ten (10) Executive
19 Committee Members, eight (8) members of whom shall come from the State
20 Universities and Colleges, and two (2) from the private sector, all of whom shall be
21 appointed by the National Student Loan Board. Each Executive Committee Member
22 shall receive a monthly compensation equivalent to salary grade 26 and shall have the
23 organizational designation of "Managing Director" of a specific functional area of the
24 Loan Board. The term of the Executive Committee Members shall be coterminous with
25 that of the Executive Director.
26

27 SEC. 15. *Loan Board Staff/Employees.* – The Loan Board shall determine the
28 number of staff/employees needed to carry out the functions of the Board, subject to
29 Civil Service rules and regulations. The Civil Service Commission shall likewise provide
30 for the qualifications and compensation of applicants based on existing rules and
31 regulations on the hiring of civil servants.
32

33 SEC. 16. *National Student Loan Trust Fund.*– The Loan Board shall establish a
34 Loan Trust Fund for CHED and TESDA to cover the tuition, miscellaneous and other
35 school fees and other educational expenses of the student borrower under the National
36 Student Loan Program. The amount derived from loan repayments of borrowers, which
37 include payment for the principal and interests, shall accrue to the Loan Trust Fund.
38

39 SEC. 17. *Loanable Amount.* – The Loan Board shall determine the maximum
40 amount that can be availed of by student loan borrowers. Educational loans under this
41 Act may cover matriculation and other school fees and educational expenses for books,
42 subsistence, and board and lodging; *Provided*, that amounts covering payments for
43 tuition and other school fees shall be paid directly to the school concerned.
44

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

- 47 a) Availability – Loans under the National Student Loan Program shall be
48 available for post-secondary non-degree and undergraduate degree
49 programs under the TESDA and tertiary or degree programs under the
50 CHED, respectively. This program shall not cover postgraduate courses;
51 b) Loan Size – The loanable amount shall be equivalent to the prevailing cost
52 per academic unit at the University of the Philippines multiplied by twenty-
53 one (21) academic units or subject to the decision of the Loan Board;
54 c) Loan Applicability – The loan shall be applicable to the school of choice of
55 the student loan borrower, whether it is a public or private school offering
56 post secondary technical or vocational courses or college degree
57 programs, to cover tuition fees and living allowance. Amounts in excess of

1 the loan needed to cover the student borrower's needs shall have to be
2 derived from other sources.

- 3 d) Drawdown – Upon approval of a loan, an amount equivalent to the tuition
4 of the student loan borrower can immediately be drawn upon presentation
5 of proof of registration. Balance can be drawn in five (5) equal monthly
6 installments starting the first month of the semester in the case of schools
7 using the semestral system, or four (4) equal monthly installments starting
8 the first month of the trimester in the case of schools using the trimestral
9 system.

10
11 SEC. 18. *Interest Rate and Loan Collection Scheme.* - In the formulation of
12 policies regarding the interest and loan repayment or collection scheme for the National
13 Student Loan Program, the following principles must be observed:

- 14
15 a) Any loan granted shall be paid by the student-debtor after he has finished
16 the course or profession for which the proceeds of the loan were
17 expended, but only after a period of two (2) years from the time he has
18 acquired gainful employment: *Provided*, That the government shall
19 endeavor to give priority to students under the program in obtaining
20 possible employment.
21 b) Voluntary repayment of loans shall start anytime the loan borrower wants
22 to pay even before finishing the course or having gainful employment:
23 *Provided*, That a reduced rate of five percent (5%) per annum shall apply;
24 c) Interest at the rate of not more than five percent (5%) per annum shall be
25 applied to the loan or the balance thereof. The Loan Board shall formulate
26 a loan collection scheme table as guide of the deputized bank and all
27 concerned agencies in computing interest rates; and
28 d) The NBI shall determine the employment status and whereabouts of the
29 delinquent loan borrowers for clearance application and/or renewal.
30

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

- 33
34 1) Filipino citizen;
35 2) Currently enrolled or intend to enroll in any of the courses to be
36 determined by CHED or TESDA;
37 3) Has parents or guardians with a gross annual income to be determined
38 by the NEDA income bracket;
39 4) Has stopped schooling for more than one year due to valid reasons, but
40 intends to return to school to finish the remaining semesters required by
41 the course or program; and
42 5) Does not enjoy any scholarship or study grant.
43

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

- 46
47 (1) He/she fails for one (1) school year in the majority of the academic
48 subjects in which he has enrolled during the course of his study unless
49 such failure is due to some valid cause beyond his control;
50 (2) He/she has been declared absent without official leave (AWOL) or is
51 permanently disqualified or expelled from the educational institution
52 where he is enrolled in;
53 (3) He/she stops schooling for one (1) school year unless such is due to some
54 valid cause beyond his control; and
55 (4) He/she is convicted of any crime.
56

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

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

9
10 SEC. 23. *Repealing Clause.* - All laws, presidential decrees, executive orders,
11 proclamations, rules and regulations which are inconsistent with the provisions of this
12 Act are hereby repealed or modified accordingly.

13
14 SEC. 24. *Separability Clause.* - If any provision of this Act is held invalid or
15 unconstitutional, other provisions not affected shall continue to be in full force and
16 effect.

17
18 SEC. 25. *Effectivity.* This Act shall take effect fifteen (15) days after its complete
19 publication in at least two (2) newspapers of general circulation.

20
21 Approved,