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SENATE

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Senate Bill No. 1430

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

EXPLANATORY NOTE

Education is the key to everyone's success in life. The right to education is guaranteed by our Constitution under ARTICLE XIV Section 1 which 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 such education accessible to all. However not all Filipinos are granted with the opportunity to attain education that will guarantee a better future.

At present there are existing laws that promote and protect the right of our countrymen to education. Among these would include the Barangay (Village) Day Care Center Law, which establishes day care centers in Barangay; the Early Childhood Care and Development (ECCD) Act, which mandates all villages to have day care centers and early learning institutions for children; and the Governance of Basic Education Act of 2001, which promotes school-based management and de-concentration of authority and decision making from the national and regional levels of the education bureaucracy to the division and school levels.

Statistics showed according to the results of the 2010 Annual Poverty Indicators Survey (APIS) Sixteen percent of the estimated 39 million Filipinos 6 to 24 years old are Out-of-School-Youth (OSY), and for every ten 5-year-old children, only six have access to preschool education. Out of School Youth refers to family members 6 to 17 years old who are not attending formal school and family members 18 to 24 years old who are currently out of school, not gainfully employed and have not finished college or post-secondary course.

As reported, Autonomous Region in Muslim Mindanao has the highest percentage of OSYs of about 24 percent of the population aged 6 to 24 years, followed by Davao (19%) and Caraga and Central Luzon, with 18 percent each. Cordillera Administrative Region has the lowest percentage of OSYs (10%). The proportion of OSYs among females is

higher than among males, 17% and 14%, respectively. The net enrolment in primary school is high at 85 percent as of school year 2007-2008, however this rate declines to 62 per cent in high school in the same school year. Drop-out rates are doubled as children reach secondary school and around 11.64 million out-of-school youth and others situated in impoverished urban cities and far-flung communities still need to be reached.

This Bill seeks to implement a voluntary student loan in order to help those who are qualified to have access to education. There are scholarships granted by the Government and other private sectors however the same has not been extended to the grass root level. By the help of the "Lenders" covered in this bill, education will now be accessible to all. Amounts can be loaned to cover not only the expenses for tuition fees but all other expenses in finishing the course or program.

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



JOSEPH VICTOR G. EJERCITO
Senator

SENATE OF THE PHILIPPINES)
SIXTEENTH CONGRESS)
First Regular Session



Senate
Office of the Secretary

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Senate Bill No. 1430

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

**AN ACT ESTABLISHING A VOLUNTARY STUDENT LOAN
PROGRAM BY BANKS AND GOVERNMENT FINANCIAL
INSTITUTIONS, PROVIDING INCENTIVES 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
“Voluntary Student Loan Program Act”.

SECTION 2. Declaration of Policy. – It shall be a policy objective
of the State to assist eligible students to obtain post-secondary
technical-vocational certificates or diplomas from technical-vocational
institutes and colleges and postgraduate degrees from higher
education institutions by encouraging banks and government
financial institutions to lend money to eligible students to be repaid in
installments after the student graduates or leaves the educational
institution.

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

(a) *CHED* refers to the Commission on Higher Education.

(b) *Higher Education Institution (HEI)* refers to an educational
institution that is legally authorized to offer a program of education
leading to the conferment of a degree.

(c) *TESDA* refers to the Technical Education and Skills
Development Authority as established under Republic Act No. 7796,
otherwise known as the “TESDA Act of 1994”.

(d) *Technical-Vocational Institute* refers to a technical-vocational (tech-voc) education and training institution accredited by the TESDA which offers any non-degree program at the post-secondary educational level oriented towards skills proficiency leading to certificate or diploma in preparation for a particular occupation or group of middle-level occupations.

(e) *Lender* refers to a bank or a government financial institution, which provides loans to student-borrowers pursuant to this Act.

(f) *Student-borrower* refers to an eligible student with a loan under this Act.

(g) *Eligible student* refers to a student who meets the admission requirements of a tech-voc institute or HEI and has been accepted for enrollment in a post-secondary tech-voc institute as a non-degree student or in an HEI as an undergraduate or postgraduate student.

(h) *Priority eligible student* refers to an eligible student who is an immediate member of a family where no other immediate member of such family is enrolled in or has completed post-secondary or higher education at the time of the loan application.

(i) *Government financial institutions* refer to financial institutions in which the government directly or indirectly owns majority of the capital stock and which are registered and directly supervised by the Bangko Sentral ng Pilipinas (BSP).

(j) *Higher Education* refers to college and graduate education or training in an educational program leading to a degree offered in HEIs. It is also known as Tertiary Education.

(k) *Post-secondary education* refers to education and training in non-degree vocational and technical courses offered in post-secondary tech-voc institutions.

SECTION 4. Registration of Student Loan Program under this Act.

– Banks, whether government or private, and government financial institutions participating in the student loan program may allot a portion of their loanable funds for loans to eligible students. Such banks and government financial institutions participating in the program may be entitled to avail themselves of the incentives under this Act by the registration of their student loan program with the BSP.

In addition, the BSP shall provide other incentives, which may be nonmonetary, to banks and government financial institutions participating in the voluntary student loan program under this Act.

SECTION 5. *Loan Coverage.* – The loan shall cover the cost of the entire program offered by the HEI or tech-voc institute including, but not limited to, tuition and miscellaneous fees: *Provided*, That adjustments shall be made in case of increase in tuition and miscellaneous fees. It shall likewise include an amount for the cost of attendance, covering necessary expenses of the student for books, food, transportation, board and lodging and a reasonable allowance for projects and other school requirements.

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

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

(a) General entry requirements:

- (1) Must be a Filipino citizen;
- (2) Currently enrolled or intends to enroll or reenroll in any of the priority courses to be determined by the CHED or the TESDA;
- (3) Has parents or guardians who are SSS or GSIS members or SSS prior registrants; and
- (4) Does not currently enjoy any scholarship or study grant.

(b) Additional specific entry requirement for priority eligible student:

- (1) Barangay certification that no other immediate family member of the student is enrolled or has completed a post-secondary education at the time of the loan application; or
- (2) Notarized self-certification that no other immediate family-member of the student is enrolled or has completed a post-secondary education at the time of the loan application.

(c) Other requirements as may be determined by the banks.

SECTION 8. *Loan Application.* – Any eligible student-borrower may file the loan application with a participating bank or government financial institution. A loan application shall include, among others:

- (a) The student SSS or GSIS number;
- (b) The taxpayer's identification number (TIN) in case the student is employed;
- (c) The list of expenses which shall include the total tuition fees for the entire period of attendance to complete the student's course or degree, with a necessary allowance for any increase that the tech-voc institute or HEI may rightfully make and the other miscellaneous expenses certified by the educational institution;
- (d) A reasonable approximation of the cost of attendance of the student in the chosen HEI or tech-voc institute which shall include, among others, the cost of books, board, lodging and transportation expenses;
- (e) A statement of the student-borrower on the preferred employer in the future, whether with the private or public sector; and
- (f) All other requirements that the participating bank or government financial institution may impose for the proper identification of the student.

SECTION 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 HEI or tech-voc institute. Any succeeding tranche shall be disbursed on the condition that the student-borrower completes the term previously enrolled in as certified by the HEI or tech-voc institute. The tuition and miscellaneous fees payable to the educational institution shall be disbursed or be made payable directly to the HEI or tech-voc institute.

SECTION 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 installment 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.

SECTION 11. *Interest Rate and Tax Exemption.* – For any loan procured under this Act, lenders shall charge an interest based on the prevailing ninety-one (91)-day 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%) or, 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 tax deduction against the total gross receipts tax due and payable by the banks for the taxable year: *Provided*, That the additional interest shall be allowed as a tax deduction against the total gross receipts tax 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: *Provided, finally,* That gross receipts of the lender derived from the imposition of the additional interest and the claimed tax deduction shall be exempted from gross receipts tax under Title V of the National Internal Revenue Code, as amended.

In addition, such loans shall be exempted from payment of documentary stamp tax.

SECTION 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 installments or when the borrower so requests, in graduated periodic installments, payable quarterly, bimonthly or monthly at the option of the student-borrower, over a period beginning not earlier than twenty-four (24) months after the student-borrower ceases attending the tech-voc institute or HEI, and ending eight (8) years after such date, except that such period may begin earlier than twenty-four (24) months upon the request of the student-borrower;

(b) Include a provision for acceleration of repayment of the whole, or any part, of such loan, at the option of the student-borrower; and

(c) Include a provision for preferential employment of the student-borrower upon graduation.

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

SECTION 14. Program Administration. - An interagency team composed of the CHED, the TESDA, the BSP, the Bankers Association of the Philippines (BAP), the Chamber of Thrift Banks (CTB) and the Rural Bankers Association of the Philippines (RBAP) shall jointly be responsible for policy guidance and direction, monitoring and evaluation of the student assistance program under this Act. The CHED and the TESDA shall chair and co-chair, respectively, the said team.

SECTION 15. *Implementing Rules and Regulations.* – The CHED, the TESDA, the Department of Finance and the BSP, in consultation with the SSS, the GSIS, the Bureau of Internal Revenue (BIR), the Central Credit Information Corporation (CCIC), the National Bureau of Investigation (NBI), the POEA, the Coordinating Council of Private Educational Associations (COCOPEA) and the Philippine Association of State Universities and Colleges (PASUC), shall promulgate such rules and regulations necessary for the proper implementation of this Act within ninety (90) days from the effectivity of this Act.

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

SECTION 17. *Repealing Clause.* – All laws, executive orders, decrees, instructions, rules and regulations contrary to or inconsistent with any provision of this Act are hereby amended, repealed or modified accordingly.

SECTION 18. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,