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SENATE  
S.B. No. **1458**

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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#### EXPLANATORY NOTE

One of the enduring legacies of the late Senator Benigno "Ninoy" S. Aquino, Jr. is the "**Study Now, Pay Later**" Program. It was designed to give every Filipino access to tertiary education, with the belief that this will enable more Filipinos to get better jobs with better incomes, and help them get ahead in life.

Thirty years after Ninoy Aquino's death, as we push for inclusive growth for every Filipino, we also seek to strengthen the Study Now, Pay Later Program to ensure that every Filipino who wishes to take up tertiary-level studies will be able to do so.

The strengthened Study Now, Pay Later Program (SNPLP) proposes that an **Education Loan Fund** be established to make **zero-interest loans** available to eligible student beneficiaries to cover tuition and other school fees and education-related expenses towards the completion of college degree courses or vocational and technical courses.

Under our proposed program, the Education Loan Fund shall be administered by an **Education Loan Fund Board** headed by the chairperson of the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA). Among its functions, the Board shall be responsible for establishing systems for the following:

- (1) The effective disbursement and collection of loan payments, including but not limited to: arranging for the Government Service Insurance System (GSIS) and the Social Security System (SSS) to act as the authorized and official collection agencies for loan repayments; and
- (2) Proper tracking and monitoring loan recipients, including but not limited into entering an agreement with various concerned government agencies including the Bureau of Internal Revenue (BIR), GSIS, SSS, National Bureau of Investigation (NBI), Department of Foreign Affairs (DFA), Philippine Overseas Employment Administration (POEA), Bureau of Immigration (BI), Bangko Sentral ng Pilipinas (BSP), and the Credit Information Corporation, as well as private and public banks and intermediaries, credit information bureaus, and other financial institutions, inclusive of investigating and checking the whereabouts of loan recipients, and setting up mechanisms for blacklisting of defaulting borrowers in applications for loans, credit cards, and other credit facilities.

These mechanisms seek to make it easier and more convenient for beneficiaries to pay for their loans while making it more efficient for government to collect loan payments. These are meant to ensure that the Study Now, Pay Later Plan can become a long-term program of the government with benefits that are extended to even more beneficiaries.

At present, the government's Study Now Pay Later program for the school year (2013-2014), covers 538 beneficiaries nationwide with an average loan of Php60,000 per qualified student per year.

Since the program was re-launched in 1999, at least 16,907 students have already received student loans amounting to a total of Php217 million. However, the CHED reports that, as of December 2012, only Php26.8 million or 12.36 percent of these loans have been repaid.

Thus, it becomes imperative that we strengthen and improve the system, especially on the loan repayment side, to ensure that funds are ploughed back to the government to give more students the opportunity for tertiary-level education.

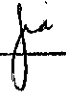
In view of the foregoing, the early approval of this bill is earnestly sought.



Senator Paolo Benigno "Bam" A. Aquino IV

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**STRENGTHENING THE STUDY NOW, PAY LATER PLAN  
FOR POST-SECONDARY EDUCATION**

1 **SECTION 1. Short Title.** – This Act shall be known as the "Study Now Pay Later Plan of 2013"

2 **SECTION 2. Declaration of Policy.** – It is the policy of the State to protect and promote the right of all  
3 citizens to quality education at all levels and to take appropriate step to make such education accessible  
4 to all. Recognizing the importance of higher education in enhancing economic opportunities for its  
5 citizens, it is also a policy of the State to support and promote access to higher education through  
6 student loan programs and other funding and support mechanisms to the end that no person shall be  
7 deprived of the benefits of education on account of poverty.

8 In pursuance thereof, the "Study Now Pay Later Plan" of the State is hereby strengthened and reinforced  
9 to provide a more effective educational financial assistance program for deserving students.

10 **SECTION 3. Definition of Terms.** –

11 a. *Study Now, Pay Later Plan* refers to the educational financial assistance program of  
12 government designed to promote access to post-secondary level education through the  
13 provision of education loans.

14 b. *Education Loan Fund* refers to funds acquired under the provision of this Act administered  
15 and held in trust by the Commission on Higher Education (CHED) and Technical Education  
16 and Skills Development Authority (TESDA) for the operationalization of the Study Now Pay  
17 Later Plan (SNPLP).

18 c. *Post-Secondary Education* refers to education in degree courses offered by higher  
19 educational institutions or to education and training in non-degree vocational and technical  
20 courses offered in post-secondary vocational and technical education institutions, the  
21 completion of which are attested by a diploma or certificate issued by or with permission of  
22 CHED or TESDA respectively.

23 d. *Education Loan Eligibility Certificate* is a non-negotiable, non-transferable instrument issued  
24 by the Education Loan Fund Board that proves the qualification of the person named therein  
25 as grantee to obtain loans and other obligations from CHED or TESDA subject to the terms  
26 and conditions that the Education Loan Fund Board may provide.

27 e. *Education Loans* refer to such amounts loaned to student recipients to cover matriculation  
28 and other school fees, and to cover education-related expenses for books, subsistence,  
29 board and lodging.

30 **SECTION 4. Education Loan Fund Board.** – To carry out the purposes of this Act, there is hereby created  
31 an *Education Loan Fund Board*, hereinafter referred to as the *Board*, a governing body that shall  
32 formulate policies, guidelines, and rules and regulations necessary for the operation, management and  
33 supervision of the Education Loan Fund and SNPLP.

34 **SECTION 5. Composition of the Board.** – The Board shall be composed of the following:

- 1 a. Chairman of the CHED, as Chairperson,
- 2 b. Executive Director of TESDA, as Vice-Chairperson,
- 3 c. One representative each from the following government offices, as members: the  
4 Department of Labor and Employment, Bureau of Internal Revenue (BIR); Government  
5 Service Insurance System (GSIS); Social Security System (SSS); Credit Information  
6 Corporation (CIC), Senate Committee on Education, Arts and Culture; and Committee on  
7 Higher and Technical Education of the House of Representatives; and
- 8 d. One representative each from the following, as members: the Coordinating Council of  
9 Private Educational Associations (COCOPEA); the Philippine Association of State Universities  
10 and Colleges (PASUC); the Association of Local Colleges and Universities (ALCU); and the  
11 Technical-Vocational Schools Association of the Philippines (TEVSAPHIL).

12 **SECTION 6. Powers and Functions.** – The Board shall have the following functions:

- 13
- 14 a. Formulate policies, standards and guidelines necessary for the implementation of the Study  
15 Now, Pay Later Plan (SNPLP);
- 16 b. Create an administrative unit within CHED and TESDA tasked to manage the Education Loan  
17 Fund and program for lending to students in various post-secondary educational  
18 institutions; and to be the repository for all pertinent information related to the SNPLP and  
19 its loan recipients;
- 20 c. Establish and adopt a program for generating funds for the Education Loan Fund for  
21 students who qualify under the provision of this Act;
- 22 d. Establish an efficient system for the disbursement and collection of payment of loans  
23 granted under this Act, including but not limited to entering into agreements with GSIS and  
24 SSS to automatically withhold from members who availed of SNPLP loans a portion of their  
25 member contributions, and to deposit the amount to the Education Loan Fund as loan  
26 payments;
- 27 e. Establish an efficient system for tracking loan recipients, including but not limited to  
28 entering into agreements with the BIR, GSIS, SSS, National Bureau of Investigation (NBI),  
29 Department of Foreign Affairs (DFA), Philippine Overseas Employment Administration  
30 (POEA), Bureau of Immigration (BI), Bangko Sentral ng Pilipinas (BSP), the CIC, private and  
31 public banks and intermediaries, credit information bureaus, and other financial institutions,  
32 inclusive of investigating and checking the whereabouts of loan recipients, and setting up  
33 mechanisms for blacklisting of defaulting borrowers in applications for loans, credit cards,  
34 and other credit facilities;
- 35 f. Enter into an agreement with BIR to acquire the Tax Identification Number (TIN) of each  
36 loan recipient or to provide each loan recipient with a TIN to facilitate ease in tracking the  
37 loan recipients and their payments;
- 38 g. Avail of the personnel and office facilities of the CHED, TESDA, Department of Education,  
39 universities, colleges and schools in coordination with the proper offices for the  
40 implementation of the provisions of this Act;
- 41 h. Exercise such other powers and functions reasonably necessary for the proper  
42 implementation of this Act.

43 **SECTION 7. Administration of SNPLP.** – The administration and management of the SNPLP and the  
44 Education Loan Fund shall be the primary responsibility of the CHED and TESDA, which includes the  
45 following specific functions:

- 1 a. Plan, implement, and monitor annual work programs and submit annual reports in  
2 pursuance of the objectives of this Act;
- 3 b. Receive, review and approve loan applications based on qualifications provided by Section 9  
4 of this Act;
- 5 c. Issue Education Loan Eligibility Certificates which shall be valid anywhere in the country as  
6 proof of the eligibility of the student to avail of the loan assistance;
- 7 d. Cancel the Certificates based on the grounds under Section 13 of this Act;
- 8 e. Maintain and manage the Education Loan Fund and facilitate proper disbursement and  
9 collection of funds;
- 10 f. Maintain and regularly update list of loan borrowers and list of priority courses to be  
11 offered;
- 12 g. Coordinate with BIR, GSIS, SSS, and other government agencies and institutions as needed  
13 for loan disbursement and collection of payments;
- 14 h. Perform such other functions as may be reasonably necessary for the implementation of  
15 this Act.

16 **SECTION 8. Education Loan Fund.** – The Board shall establish an Education Loan Fund for CHED and  
17 TESDA, which shall be used to finance educational loans to cover matriculation and other school fees  
18 and related educational expenses.

- 19 a. Seventy percent (70%) of the funds allocated for CHED and TESDA annually through their  
20 various financial assistance programs shall go to the Education Loan Fund of the SNPLP.  
21 Likewise, the amount derived from the loan payment of borrowers, which include payments  
22 for the principal and interests, shall accrue to the Education Loan Fund; and
- 23 b. The Board shall solicit and receive donations and other forms of contribution from both  
24 public and private sources, which shall accrue to the Education Loan Fund. Provided, that  
25 such donations and other contributions shall be exempt from taxation and shall be  
26 allowable deductions for income tax purposes.

27 **SECTION 9. Qualification of Loan Recipients.** – Students availing of education loans as provided by this  
28 Act must possess the following qualifications at the time of application:

- 29 a. He or she is a Filipino citizen;
- 30 b. He or she intends to enroll or is currently enrolled in any of the priority courses, to be  
31 determined by the CHED and TESDA, and have passed the entrance requirements of the  
32 post-secondary education institution attended or to be attended;
- 33 c. He or she must have a National Secondary Achievement Test (NSAT) rating of 75% or higher,  
34 if highest education level attained is secondary education;
- 35 d. He or she must have a general weighted average of 75% or higher, if previously enrolled in a  
36 post-secondary education course;
- 37 e. He or she must not have been convicted of any crime involving moral turpitude;
- 38 f. He or she must have attended the orientation seminar arranged by CHED or TESDA, which  
39 includes a session on credit responsibility to be conducted or approved by the Credit  
40 Information Corporation (CIC); and

1 g. Such other qualifications as may be provided by the Board.

2 **SECTION 10. Coverage.** – Granting of education loans shall be based on the eligibility qualifications  
3 determined in Section 9 of this Act and subject to the availability of the funds as determined by CHED  
4 and TESDA. In the event that CHED and TESDA cannot accommodate all loan applicants, the applicants  
5 can re-apply for the loan in the following academic term. Granting of education loans shall be on a first  
6 come, first serve basis to avoid any abuses in the process.

7 **SECTION 11. Amount of Loans.** – The Board shall determine the maximum amount a student can avail  
8 under this Act. The education loan can only be used to cover tuition and other school fees to fulfill  
9 matriculation in a post-secondary education institution, and the cost of books, subsistence, board and  
10 lodging: Provided, loans granted for payment of tuition and other fees shall be directly payable to the  
11 post-secondary education institution concerned.

12 **SECTION 12. Interest Rate and Payment Terms.** – The Board shall determine the terms of payment and  
13 other policies to carry out this Act, provided that these principals must be observed:

14 a. Interest at the rate of zero percent (0%) per annum shall be applied to the loan or the  
15 balance thereof;

16 b. Loan recipients shall begin paying their loans after two (2) years following the completion of  
17 the course for which the proceeds of the loan were expended: Provided, the government  
18 shall endeavor to give ample assistance to students under the program in obtaining possible  
19 employment and that loans may be paid through staggered payment schemes;

20 c. Loan recipients who prefer to avail of the staggered payment scheme may be required to  
21 become a member of GSIS or SSS. GSIS or SSS shall then automatically deduct the loan  
22 payments from the member contributions of the loan recipient. The Board shall determine  
23 the amount to be withheld by GSIS and SSS as loan payment. Provided, however, that the  
24 loan recipient may opt at any time to pay the loan or its balance in full;

25 d. Prior to the end of the two (2) year period, voluntary payment of loans may start any time  
26 the loan recipient wants to pay;

27 e. The list of loans due for payment shall be submitted by CHED and TESDA to the BIR and  
28 other concerned agencies for tracking purposes and to GSIS and SSS for automatic  
29 deductions;

30 f. CHED and TESDA shall seek the aid of other government agencies and institutions to  
31 monitor the whereabouts of the loan recipients.

32 **SECTION 13. Disqualifications.** – The education loan assistance extended to a student shall be accorded  
33 to the student loan borrower for the entire duration or remaining of his/her degree/vocational course  
34 unless any of the following occurs:

35 a. The student fails majority of his or her academic subjects every semester or two (2)  
36 consecutive semesters, unless such is due to a valid cause beyond the student's control;

37 b. The student fails to finish his or her course within four (4) semesters from the semester he  
38 or she is expected to finish as fixed by the course curriculum, unless such is due to a valid  
39 cause beyond the student's control;

40 c. The student stopped schooling for two (2) semesters, unless such is due to a valid cause  
41 beyond the student's control;

42 d. The student is convicted of any crime involving moral turpitude.

1 For (a) to (c), the valid cause referred to therein must be properly substantiated in accordance with the  
2 implementing rules and regulations.

3 **SECTION 14. *Implementing Rules and Regulations.*** – CHED and TESDA shall, within sixty (60) days from  
4 the effectivity of this Act, issue such rules and regulations necessary for the proper implementation  
5 thereof.

6 **SECTION 15. *Appropriations.*** – The amount necessary to carry out the provisions of this Act shall be  
7 charged to the appropriations of CHED and TESDA. Thereafter, such sum as may be necessary for its  
8 continued implementation shall be included in the annual General Appropriations Act.

9 **SECTION 16. *Repealing Clause.*** – All laws, decrees, executive orders or parts thereof inconsistent with  
10 the provisions of this Act are hereby repealed, amended or modified accordingly.

11 **SECTION 17. *Separability Clause.*** – If any provision of this Act is held invalid or unconstitutional, other  
12 provisions not affected shall continue to be in full force and effect.

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

15 Approved,