

Republic of the Philippines
House of Representatives
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

House Bill No. **0229**

INTRODUCED BY REPRESENTATIVE ALFRED VARGAS

EXPLANATORY NOTE

College education is a heavy burden not only for the parents but for the entire family. Stories abound where parents had to sell their farm animals, if not their farm lands, or borrow money against their houses, or beg from relatives - just to send a child through college. In many instances, one or two of the child's siblings have to stop in order for the family to survive while they continue to support the one chosen to attend the university.

To assist poor families, especially those with bright children, to have the opportunity to gain higher education, government has introduced various affirmative action programs such as scholarships, grants-in-aid, student loans, and part-time employment, among others. The Study-Now-Pay-Later college loan program was implemented in the mid-70s by President Marcos and had some level of successes. But the economic and debt crises that ensued limited the government's fiscal space and the overall impact of the program, even as this was resurrected later in one form or another.

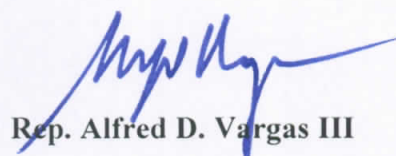
In 2015, R.A. 10687 or the Unified Student Financial Assistance System for Tertiary Education (UniFAST) Act was approved which brought together all Student Financial Assistance Programs (StuFAPs) under one roof. In A.Y. 2015-2016, funding for various reached Php5.65 billion. But shared by a total of 289,045 students nationwide, the average assistance per person was only some P19,000 for the whole year - which can barely cover tuition expenses. In 2016, R.A. Republic Act 10931 or the Universal Access to Quality Tertiary Education Act was enacted providing for free tuition and exemption in all other fees to all students of state colleges and universities (SUCs).

What is sadly missing in all these is the fact that tuition and academic expenses are but a small portion of the overall cost of sending a child through college. In order to study well, the child must have all the support to enable him or her to focus – to be well fed and clothed, to live in an environment that is highly conducive to learning, and to be armed with the books, supplies and equipment that he/she will need for coursework. Unfortunately, from a CHED budget of over P 60 billion in 2018, only P1 Billion has been made available for student loans. If student living expenses were at only P5,000 per month, this could barely finance the needs of 16,000 college students or barely one half of one percent (0.05%) out of the country's 2.982 million college students.

Only one out of every five Filipinos is able to get to college. Still, only around half of them would reach third or fourth year, if not eventually graduate. According to a study by the Angelo King Institute, the participation rate in the Philippines in higher education over several decades has remained relatively stagnant at 23% compared with upwards of 30% in our neighboring countries like Vietnam, Indonesia and Malaysia, 53% in Thailand and 94% in Korea.¹ Poverty issues and the lack of sources of financing have always been major reasons. The absence of institutional mechanisms to address the demand for college funding has been considered as a kind of market failure.

This College Living Expenses Financing (CLEF) Bill aims to address these needs and to complement and complete the earlier student assistance programs in terms of support to the Filipino family in achieving their aspirations and their dreams.

Approval of this Bill is earnestly requested.



Rep. Alfred D. Vargas III

¹ Eric Jayson V. Asuncion and Tereso S. Tullao, Jr. *Evaluation of Unified Student Financial Assistance System in Tertiary Education (UniFAST) in Addressing Capital Market Imperfection in the Philippines*. Working Paper Series 2018-02-049. Manila: Angelo King Institute, De La Salle University

Republic of the Philippines
House of Representatives
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. **0229**

INTRODUCED BY REPRESENTATIVE ALFRED VARGAS

AN ACT
TO ESTABLISH THE COLLEGE LIVING EXPENSES FINANCING
(CLEF) PROGRAM TO SUPPORT HIGHER STUDIES FOR HUNDREDS
OF THOUSANDS MORE FILIPINO STUDENTS OF GOOD ACADEMIC
STANDING, MANDATING THE NATIONAL GOVERNMENT AND
LOCAL GOVERNMENT UNITS TO SET UP LOAN GUARANTEE FUNDS
ON STUDENT LOANS TO BE PROVIDED BY BANKS, FINANCIAL
INSTITUTIONS AND OTHER CREDIT PROVIDERS FOR THE CLEF
PROGRAM, APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. Title. This Act shall hereinafter be referred to as the "College Educational Expenses Financing (CLEF) Act of 2019".

Section 2. Declaration of Policy. As proclaimed in R.A. 10931: "quality education is an inalienable right of all Filipinos and it is the policy of the State to protect and promote the rights of all students to quality education at all levels. Therefore, the State shall take appropriate steps to make such education accessible to all."

RA 10687 provides that: "the State shall provide adequate funding and such other mechanisms to increase the participation rate among all socioeconomic classes in Tertiary Education, especially

the poor..., thereby promoting equitable and Rationalized Access by poor Filipinos to quality Tertiary Education."

In furtherance of these policies, it is further declared the policy of the State to promote the capacities of all its citizens to improve their lives and life chances by way of greater and enhanced access to financial resources towards achieving for themselves quality higher education.

Section 3. Coverage. The CLEF program shall be made available to all Filipino students who are either currently enrolled at the time of the effectivity of the Act, or admitted to enroll at any time thereafter, in courses leading to a bachelor's degree in any higher educational institution (HEI) accredited by the Commission on Higher Education (CHED).

Section 4. Nature of the Financial Assistance. The CLEF Program is a long term personal loan program designed to provide for the living expenses of Filipino college students. Living expenses shall cover, but not limited to, the following:

- board and lodging
- pocket money
- transportation costs
- food expenses
- uniforms and personal clothing
- books and supplies
- other miscellaneous expenses

Each eligible student shall be entitled to a maximum loan amount of P50,000 per semester or enrolment and a maximum of P400,000, allowing for up to five years of college enrolments.

The loan shall have a maximum term of twenty five (25) years, an interest rate of 6% and a grace period on principal and interest payments so that amortizations shall start one year from the date of graduation or the end of the last semester of enrolment, whichever is later.

The loan shall be provided by and disbursed through private or government banks, financial service entities accredited with the Bangko Sentral ng Pilipinas (BSP) and/or government financial institutions, including the Social Security System (SSS), Government Service Insurance System (GSIS), or Home Development Mutual (Pag-IBIG) Fund.

The administration of the CLEF Program shall be a shared responsibility of the (1) CHED – which shall process and endorse the loan application requirements of eligible students, (2) the financial institutions – which shall release the amounts based on an approved disbursement program agreed with the student, and (3) the collecting agents – which can be a bank, a financial service institution, financial technology service (FinTech) accredited with the Bangko Sentral, the SSS, GSIS or Pag-IBIG.

Section 5. Credit Guarantee by National Government and LGUs. In order to encourage the banks and financial institutions to provide the needed resources for the Program, the CLEF Guarantee Fund is hereby created, which shall be funded by yearly appropriations from the national government in the amount of ten billion pesos (P10,000,000,000) over the next ten years to be deposited with the National Treasury. In like manner, local government units (LGUs), including provinces, cities, municipalities and barangays, shall set aside a minimum of 2% of their Internal Revenue Allotments (IRA) as additional guarantee support for CLEF loans to students from their respective constituencies, to be deposited with the Land Bank or Development Bank of the Philippines (DBP). The guarantee funds may support loans to the students up to five times of its nominal value. The endorsement of the UniFAST Board and/or the LGU concerned shall be sufficient basis for the credit guarantee for the specific beneficiary student.

Section 6. Tracking and Monitoring. Consistent with its mandate under R.A. 10687 and R.A. 10931, the UniFAST Board shall monitor and track the progress of the student loan beneficiaries under the CLEF Program to ensure that minimum academic standards of educational achievements are met. For purposes of encouraging good student performance, Sections 11, 12 and 13 of R.A. 10687 shall also apply to the CLEF Program

For purposes of tracking after graduation or leaving college without graduating, Section 15 (r) of R.A. 10687 shall also apply to CLEF beneficiaries as part of the loan contract that they shall sign.

Section 7. Implementing Rules and Regulations. – Within thirty (30) days from the effectivity of this Act, the UniFAST Board shall consult with the local government leagues, and officials from the Bureau of Treasury, Bankers Association of the Philippines, Land Bank, Development Bank of the Philippines, SSS, GSIS, Pag-IBIG, and other stakeholders and promulgate the Implementing Rules and Regulations necessary for the proper implementation of this Act.

Section 8. Separability Clause. – If, for any reason, any provision of this Act is declared unconstitutional or invalid, parts or provisions of this Act which are not affected shall continue to be in full force and effect.

Section 9. Non-Impairment Clause. – Nothing in this Act shall be construed as to diminish, impair, or repeal rights recognized, granted, or made available to disadvantaged, marginalized, or specific sectors under existing laws.

Section 10. Repealing Clause. – All laws, executive orders, presidential decrees, Implementing Rules and Regulations inconsistent with this Act are hereby repealed or modified accordingly.

Section 11. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two newspapers of general circulation.

Approved.