



Republic of the Philippines
OFFICE OF THE PRESIDENT
COMMISSION ON HIGHER EDUCATION

CHED MEMORANDUM ORDER

No. 25

Series of 2006

**TO : CHED Central and Regional Office Directors
Presidents/Heads of Private Higher Education Institutions**

**SUBJECT : IMPLEMENTING GUIDELINES FOR
THE PGMA HIGHER EDUCATION LOAN PROGRAM**

DATE : May 26, 2006

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I. BACKGROUND

In accordance with the constitutional mandate and the pertinent provisions of Republic Act 7722, the "Higher Education Act of 1994", one of the goals of CHED is to broaden the access of the poor but bright Filipino students to quality higher education thru scholarships, grants and loans.

Due to the tremendous demand for financial aid from students at the higher education level particularly those studying in private colleges and universities, the Office of the President released funds for student loan. CHED delegated to participating private colleges and universities the functions and responsibilities of implementing and managing the student loan program henceforth called "The PGMA Higher Education Loan Program". The Program was created by virtue of the Commission en banc Resolution No. 330-2006 dated May 8, 2006. The partnership between CHED and the participating HEIs was formalized through the signing of a Memorandum of Agreement.

The selection of HEIs for the Program was done through the assistance of the associations of private higher education institutions, namely: the Catholic Educational Association of the Philippines (CEAP), Philippine Association of Colleges and Universities (PACU), Philippine Association of Private Schools, Colleges and Universities (PAPSCU) and the Association of Christian Schools, Colleges and Universities (ACSCU).

II. OBJECTIVES

The Program aims to:

1. Provide assistance to financially needy 3rd year, 4th year and graduating college students and to qualified students whose allowance for tuition is delayed due to *force majeure* or other unforeseen/unavoidable circumstances;
2. Raise the level of efficiency and effectiveness in the management and administration of a student loan program by involving private higher education institutions as government partner-implementers.

III. DUTIES AND RESPONSIBILITIES OF IMPLEMENTING AGENCIES

The duties and responsibilities of the Commission on Higher Education (CHED) and the participating private HEIs in the implementation of the Program shall be as follows:

A. CHED

- 1) Assign and transfer funds to the HEIs for the operationalization of the Program;
- 2) Monitor the performance of the HEI relative to the proper utilization of the Program funds;

B. HEIs

- 1) Manage and administer the Program;
- 2) Provide a discounted rate of tuition to loan borrowers as a counterpart of HEI;
- 3) Administer the funds to its maximum utilization in accordance with the objectives of the Program.

IV. MANAGEMENT AND ADMINISTRATION

A. STUDENT FINANCIAL ASSISTANCE UNIT

1. The HEI shall establish a Student Financial Assistance Unit (SFAU) responsible in the management and administration of the Program, such as in:
 - a) Screening and processing loan applications;
 - b) Granting loan to qualified student borrowers;
 - c) Collecting loan repayments;
 - d) Preparing reports as required by CHED.
2. The HEI shall adopt its own operating procedures in the management and administration of the Program.

B. REVOLVING TRUST FUND

1. The amount assigned and transferred by CHED to the HEI shall constitute the revolving Trust Fund of the Program;
2. The amount derived from loan repayments of borrowers, which include payment for the principal and, at the option of the HEI, part of the interests, shall also go to the revolving Trust Fund;
3. The HEI shall open a Trust Account in a government bank where the funds for the Program shall be deposited;
4. The amount in the revolving Trust Fund shall be used for the continuous implementation of the Program.

C. TYPES OF LOAN

1. Short-Term Loan – the loan is payable within a period of three (3) months to be availed of by qualified students who cannot possibly pay their tuition on time because of *force majeure*;
2. Long-Term Loan – the loan is payable within a period of five (5) years after graduation of the borrowers to be availed of by qualified students at the 3rd, 4th and 5th year curricular year levels.

D. LOANABLE AMOUNT

1. The loanable amount shall cover TUITION FEE only;
2. The maximum loanable amount shall be determined by the HEI; Provided, it shall not exceed the amount billed by the school for the TUITION FEE during the semester.

E. ELIGIBILITY CRITERIA

For Short-Term Loan

1. The loan borrower is a bonafide student of the HEI
2. The loan borrower cannot possibly pay on-time the tuition for the semester due to force majeure;
3. The combined income of parents of the loan borrower is not more than P200,000.00 per year.
4. Other eligibility criteria as the HEI may deem necessary.

For Long-Term Loan

1. The loan borrower is a bonafide student of the HEI
2. The loan borrower must either be at the 3rd, 4th or 5th curricular level in his/her course;
3. The combined income of parents of the loan borrower is not more than P200,000.00 per year;
4. Other eligibility criteria as the HEI may deem necessary.

NOTE: Priority for loan shall be given to the victims of the College Assurance Plan (CAP) and other failed pre-need educational plans

F. REPAYMENT PERIOD

1. For Short-Term Loan, the amortization period shall not be more than three (3) months;
2. For Long-Term Loan, the amortization period shall not be more than five (5) years after graduation.

G. INTEREST RATE

The interest rate on the loan shall not be more than six per cent (6%) per year, to commence as soon as the amount is released to the borrower.

E. REPAYMENT SCHEME

The HEI shall formulate its own repayment scheme best suited to the socio-economic milieu of the school.

F. ADMINISTRATIVE AND OTHER INCIDENTAL EXPENSES

The HEI may use the interest from the loan to cover its administrative and other incidental expenses relative to the implementation of the Program.

G. GUARANTOR/CO-BORROWER

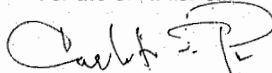
The HEI has the prerogative to require a guarantor/co-borrower for the loan. The HEI shall devise a scheme to assure repayment of loan borrowed and to keep track the whereabouts of loan borrowers.

V. EFFECTIVITY

The implementation of this CMO shall commence effective the 1st semester of school year 2006-2007.

For proper guidance and strict compliance of all concerned.

For the Commission:



**CARLITO S. PUNO, DPA
Chairman**

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This MEMORANDUM OF AGREEMENT made and entered into this ____ day of _____ 2006 by and between:

The COMMISSION ON HIGHER EDUCATION, a government agency at the Executive Department, tasked to oversee tertiary education in the Philippines, with principal address at the 5/F Development Academy of the Philippines Bldg., San Miguel Ave., Ortigas Center, Pasig City, represented by its Chairman, Dr. CARLITO S. PUNO, hereinafter referred to as the "CHED".

and

The _____, a duly recognized private higher education institution with office address at _____ herein represented by its President _____ and hereinafter referred to as "HEI".

WITNESSETH

WHEREAS, in accordance with the constitutional mandate and the pertinent provisions of Republic Act 7722, the "Higher Education Act of 1994", one of the goals of CHED is to broaden the access of the poor but bright Filipino students to quality higher education thru scholarships, grants and loans;

WHEREAS, CHED aims to provide assistance to financially needy 3rd year, 4th year and graduating college students and to qualified students who cannot possibly pay the tuition on time due to *force majeure* through a student loan program called "The PGMA Higher Education Loan Program";

WHEREAS, CHED believes that private higher education institutions can effectively and efficiently manage the student loan program of the government;

WHEREAS, the HEI believes that the Program is a great help to its financially needy students and that it will redound to the best interest of the school;

NOW THEREFORE, for and in consideration of the foregoing premises, and the terms and conditions herein under provided, the Chairman, CHED and the President, _____ hereby enter into this Agreement:

1. DUTIES AND RESPONSIBILITIES OF CHED AND HEI

- OBLIGATIONS OF CHED -

- 1) Assign and transfer to the HEI the sum of _____ Pesos (P _____00) for the operationalization of the Program;
- 2) Monitor the performance of the HEI relative to the proper utilization of the Program funds;

- OBLIGATIONS OF HEI -

- 1) Manage and administer the Program
- 2) Provide a discounted rate of tuition to loan borrowers as a counterpart of the HEI
- 3) Administer the funds to its maximum utilization in accordance with the objectives of the Program.

2. IMPLEMENTING GUIDELINES

The pertinent provisions of CHED Memorandum Order (CMO) No. ___ Series of 2006 shall form part of this Agreement. As such, the corresponding obligations and rights of the respective parties stated in the said CMO are hereby deemed incorporated.

3. BREACH AND SANCTION

Misappropriation or improper utilization of funds in the part of the HEI would constitute a breach of Agreement. In case of a breach of Agreement, CHED shall require the HEI to immediately refund in full the amount it transferred. CHED may also exclude the HEI from being a beneficiary of its financial assistance programs in the future or may not be included in the list of schools where CHED scholars and grantees are directed to enroll.

4. AMENDMENTS

The parties hereto, may upon mutual consent, amend or modify this Agreement by or through an addendum signed by all parties which shall form as integral part hereof.

5. EFFECTIVITY

This Agreement shall take effect immediately upon signing by all parties concerned.

IN WITNESS WHEREOF, the parties have hereunto signed this Memorandum of Agreement this _____ day of _____, 2006 at _____.

For CHED:

For HEI:

CARLITO S. PUNO, DPA
Chairman, CHED

President, _____

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES) S.S.

CITY OF _____

BEFORE ME, a Notary Public for and in _____
this _____ day of _____ 2006 personally appeared:

Name	Number	Community Residence Certificate Date Issued	Place of Issue
Carlito S. Puno			

Known to me as the same persons who executed the foregoing Agreement and acknowledged to me that the same is their free and voluntary act and deed and that of the principals represented by them.

I further acknowledge that this instrument, including the foregoing Agreement and this page on which this acknowledgment is written, consists of _____ () pages, all signed by the parties and their witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and place first above written.

Notary Public

Doc. _____
Page No. _____
Book No. _____
Series _____