



Republic of the Philippines
Department of Education



Tanggapan ng Kalihim
 Office of the Secretary

MAR 11 2008

DepED MEMORANDUM
 No. 118 s. 2008

To : Undersecretaries
 Assistant Secretaries
 Bureau/Center/Services Directors
 Regional Directors
 Schools Division Superintendents
 Public Schools District Supervisors
 School Heads
 All Others Concerned

**LIFTING OF THE MORATORIUM ON THE ISSUANCE OF
 AUTOMATIC PAYROLL DEDUCTION (APDS) LENDING CODES TO
 PRIVATE LENDING INSTITUTIONS**

1. To strengthen the accreditation of private lending institutions and pursuant to the Revised Automatic Payroll Deduction System (APDS) Accreditation/Re-accreditation Guidelines and Criteria for Private Lending Institutions, the DepEd Memorandum Nos. 255, s. 2003 and 478, s. 2004, suspending the issuance of APDS lending code, are hereby amended, thereby lifting, as it is hereby lifted the said suspension.
2. The DepEd Central Office, through the Office of the Undersecretary for Finance and Administration shall receive applications for accreditation/re-accreditation from March 1 to April 30, 2008. For information and guidance, attached is the copy of the Revised APDS Accreditation/Re-accreditation Guidelines and Criteria for PLIs.
3. All PLIs with extended APDS-MOA may continue granting loans, subject to the approval or disapproval of their applications for re-accreditation.
4. Billings for new loans granted by PLIs, in cases their applications for re-accreditation are disapproved, shall not be accepted by Payroll Services Division of DepEd Central Office, Regional Payroll Services Units and fiscally autonomous high schools that are preparing their payrolls. However, they shall continue servicing the collection of existing loans already incorporated in the payroll system until full payment of the same. Thereafter, the lending code is considered automatically revoked.

5. All Certificates of accreditation of PLIs at the national, regional and school levels shall be issued by the DepEd Central Office. A single accreditation/re-accreditation system shall be recognized and applied nationwide with the assignment of authorized "deduction codes" assigned by the Office of the Secretary on the basis of the duly executed APDS-MOA.
6. Documents relative to PLIs' application for accreditation must be submitted to the Management Division (APDS Secretariat), this Office. The Central Office APDS Task Force shall see to it that all applicant-PLIs have passed the aforementioned guidelines and criteria before issuing the APDS-MOA.
7. The Regional Office APDS Task Force shall monitor the existence of physical office and a full-time manager/staff of all accredited PLIs who will be answerable for any complaints of DepEd borrowers within their region.
8. All DepEd teachers and personnel are encouraged to secure loan only to those accredited PLIs under the APDS with physical office existing from their respective regions. The maximum interest and non-interest rates per annum each accredited PLI may charge on loan shall be as follows:

Effective Interest Rate	- 24%
Nominal Interest Rate	- 12% added on loan
Non-Interest Rate	- one time 6%, also added on loan and must be itemized
9. The Regional APDS Task Force shall conduct a regular monitoring of lending operations of all accredited PLIs and submit report to the APDS Secretariat within five (5) days after the end of each quarter, for consolidation and records purposes.
10. The Central Office APDS Task Force, in close coordination with the Regional APDS Task Force, may conduct inspection anytime during office hours, the lending operation of all accredited PLIs.
11. Incidental expenses and payment of extra essential duties relative to the above activities shall be charged to OSEC Funds.
12. Immediate dissemination of this Memorandum is desired.


JESLI A. LAPUS
 Secretary

Encls.: As stated

Reference: DepED Memorandum: No. 255, s. 2003
and 478, s. 2004

Allotment: 1—(D.O. 50-97)

To be indicated in the Perpetual Index
under the following subjects:

COOPERATIVES
SALARIES
TEACHERS

**AUTOMATIC PAYROLL DEDUCTION SYSTEM (APDS):
PROGRAM TO ACCREDIT/RE-ACCREDIT PRIVATE LENDING
INSTITUTIONS
Department of Education**

**Revised Guidelines and Criteria on Accreditation/Re-accreditation and Revocation of
Code under APDS**

I. DEPARTMENT POLICY

1. The grant of automatic payroll deduction for loans extended to DepEd teachers/personnel (e.g. the assignment of a “lending code”) is a privilege extended by the Department and not a right to be invoked by any outside party.
2. The Department shall regulate the use of any automatic payroll deduction scheme to protect and secure DepEd teachers/personnel’s welfare and well-being. Specifically, this shall translate into:
 - 2.1 Providing a cap on interest rates + service charges, other fees charged by lending institutions participating in the scheme in order to prevent usurious lending.*
 - 2.2 Accreditation only of allowed and duly organized lending institutions (no lending investors, individuals or organizations/ companies not regulated by the appropriate government agency shall be accredited).¹
 - 2.3 An attempt to break the debt-culture among teachers by accrediting lending institutions that can provide assistance to teachers without them assuming large debt burdens.²
 - 2.4 Eliminations of illegal and unauthorized deductions from teachers’ salaries.

¹ Government regulators or agencies shall include but not limited to the Securities and Exchange Commission, the Bangko Sentral ng Pilipinas (for banks and financial institutions), Insurance Commission (for insurance companies) and the Cooperatives Development Authority (for cooperatives).

² The “capacity to pay” shall be based on the statutory requirement of ensuring a monthly take-home pay of P3000 per DepEd teacher/personnel.

3. Accreditation of lending institutions shall be granted to entities allowed under APDS as enumerated under 3.1.1 that agree to abide with the specific guidelines with reference to the following:
 - 3.1 Legal existence and license to operate as granted by the government through its different regulators.
 - 3.1.1 “entities” shall include the following:
 - a) Mutual benefits associations duly operating under existing laws which are managed by, and for the benefit of, government employees not covered by compulsory membership in the GSIS, pursuant to Section 41 of the General Appropriations Act (GAA) for FY 2008;
 - b) Association/cooperatives organized and managed by government employees for their benefit and welfare, also based on the said Section 41 of GAA for FY 2008;
 - c) Thrift Banks which includes (a) Savings and Mortgage Banks, (b) Private Development Banks, (c) Stock Savings and Loan Associations and (d) any banking corporations organized for the purposes stated in Section 3 (a) of the Sections 3 (a) and 10 (k) of RA 7906 (Thrift Bank Act of 1995)
 - d) Rural Banks pursuant to Section 5 of RA 7353
 - e) Non-Stock Savings and Loan Associations pursuant to Section 7 of the Revised Non-Stock Savings and Loan Association Act of 1997 (RA 8367)
 - f) Duly licensed insurance companies accredited by national government agencies, pursuant to Section 41 of GAA for FY 2008
 - 3.2 Full transparency in reporting operations and financial status.
 - 3.3 Agreement to abide by the interest rate ceiling established by the Department of Education; and
 - 3.4 Other conditions set forth in the MOA.
 4. Institutions participating in the APDS shall be subject to the following service fees **which shall be deposited with the National Treasury for the Trust Receipt account of the Department of Education:**
 - 4.1 For collection on loans for banks and insurance companies = 1% of amount collected
 - 4.2 For collection on loans for teachers cooperative, teachers associations, non-stock/profit savings and loan associations, mutual benefits association = 0.5% of amount collected

5. The automatic extension provided for in the previous MOA shall constitute as part of the re-accreditation process, subject to the result of the evaluation being conducted by the APDS Central and Regional Offices Task Force.

II. ACCREDITATION /REACCREDITATION/ COVERAGE

1. Lending institutions wishing to participate in the automatic payroll deduction scheme (APDS) at the national, regional and school levels must be accredited by the Department through the Office of the Secretary.
2. After the period of review, lending institutions that do not meet the re-accreditation criteria shall not be allowed to grant loans or new loans under APDS. However, the DepEd shall continue servicing the collection of existing loans already incorporated in the payroll system as of the termination date of the MOA, and remitting the same to the PLIs until full payment of said loans. Thereafter, the lending code is automatically revoked.
3. A single accreditation system will be applied nationwide with the assignment of “deduction codes” authorized and assigned by the Office of the Secretary only through execution of an APDS-MOA.
4. Accreditation is valid for a period of two (2) years from the date of the approval of the APDS-MOA.

III. CRITERIA FOR ACCREDITATION/RE-ACCREDITATION

1. Organizations must submit the following documents to apply for accreditation/re-accreditation:
 - a) Letter of Intent
 - b) SEC/BSP/IC/CDA Registration Papers (Original or certified true copy from SEC/CDA/BSP/IC)
 - c) SEC/CDA Articles of Incorporation/Cooperation papers (Original or certified true copy from SEC/CDA as well as amendments to the by-laws)
 - d) SEC/CDA General Information Sheet (Original or certified true copy from SEC/CDA)
 - e) SEC/CDA/IC/BSP Certification of Good Standing (Original or certified true copy from SEC/CDA/IC/BSP)
 - f) In case of bank, a Certification from BSP as to its classification

- g) Curriculum vitae/bio-data of corporate directors and officers with ID pictures, including percent shares owned in the company³
- h) In case of association/cooperative, certification from its President/Chairman that officers of said organization are government employees
- i) Audited financial statements for the past two (2) years duly stamp received by the BIR.⁴
- j) Copy of Income Tax Return for the past two (2) years (Years 2005 and 2006)
- k) BIR Certification of Tax Identification Number (TIN)
- l) BIR Certification of Tax Exemption, if any
- m) Addresses and landline telephone numbers of the main and all field offices, and contact numbers of managers.
- n) Rates of interest and non-interest (and the methodology used in applying such rate)

Particulars	Ceiling/Rates/No. of Months
Nominal Rate	
- Interest	Up to 12% per annum , added on loan one time 6% added on loan (must be itemized)
- Other Charges	
Effective Interest Rate	Maximum of 24% per annum . (Refer to Annex A for the sample computation)
Amount of monthly amortization	Php _____
No. of loan deductions/amortization	_____ months
Grace period on start of loan deduction/amortization	Two (2) months
Rebate	_____% of outstanding loan

Note: The above rates may be adjusted anytime depending on the prevailing market rates specifically with reference to benchmark Treasury Bills.

- o) Summary of other one-time itemized charges levied on each loan and the manner by which these are collected

³ Must submit Accomplished Form 212 for government officials/employees

⁴ For fiscal years 2005 and 2006. The audited financial statement for FY 2006 must be filed with the Department of Education by 30 June 2007 and for subsequent years, the same must be filed on or before the end of January for the immediately preceding year, or within fifteen (15) days after the filing of Income Tax Return (March or April of the year)

- p) Subscribed statement attesting to the Truth in Lending Act with attached expanded Disclosure Statement on Loan/Credit Transaction (as Required under R.A. 3765, Truth in Lending Act). *Refer to Annex B, for the prescribed DepEd template.*
- q) Business Permit intended for lending purposes of all offices/branches, duly validated/verified by the DepEd Regional Office
- r) Contract of Lease (effective during the term of the APDS-MOA) or proof of ownership of office/s
- s) Soft copies/electronic files containing a universal listing of all current loans by DepEd borrowers, with the following information:
 - Name of the DepEd borrower (per loan)
 - Region/Division/Station/Employee Number
 - Principal amount borrowed and amount actually released
 - Term of loan (starting month, ending month)
 - Rate of interest
 - Other detailed charges

The Department may, from time to time, require lending institutions to submit hard copy/ies of Promissory Notes, Authority to Deduct, Disclosure Statements and Subsidiary Ledger of DepEd borrowers.

2. Lending institutions accredited by DepEd shall not be allowed to operate or lend in the region where they have no office;
 - “Office” shall be defined as a fully equipped physical site of transaction, inside a building or commercial structure, with local business permit, proper sign board, has a full-time manager and staff who shall maintain the complete records/loan documents and attend to loan transactions and any queries/complaints of DepEd teachers/personnel.
 - “No authority to transact business” shall mean that the privilege to effect APDS for lending business contracted in a certain region is disallowed under the new DepEd APDS criteria. Current business will be serviced but no new deduction billings will be accepted under APDS. The Lender may continue only if they set up the necessary office.
3. Affiliates/associates/partners and PLIs with problem on Chairmanship/ownership are not allowed under APDS.

4. As a result of the spot audit conducted by the APDS Task Force, lending institutions that committed any of the following shall no longer be allowed to participate in the re-accreditation process:
 - 4.1 Those who at the time of the application for re-accreditation, have already sold, transferred or assigned its lending code without the prior consent and approval of DepEd Central Office.
 - 4.2 That the lending institution was twice suspended for violations of the MOA;
 - 4.3 When the lending institution was found guilty of violating four (4) or more provisions of the MOA regardless of the penalty/sanction imposed for such violations.

IV. PROCEDURES ON RE-ACCREDITATION

1. The submission of required documents for accreditation/re-accreditation shall be from March 1 to April 30, 2008. PLIs whose MOAs that will expire on the succeeding years after 2007, shall submit the required documents at least five (5) months prior to the date of expiration of their respective MOAs.
2. Upon the receipt of the documents submitted, the Management Division/APDS Central and Regional Offices Task Force shall evaluate, review and recommend for approval/disapproval the application for re-accreditation.
3. Upon approval thereof by the Secretary or his duly authorized representative, the APDS-MOA shall be executed by the parties concerned. Accreditation is considered complete only upon signing/execution of the APDS-MOA by the contracting parties.
4. The non-reaccreditation of the PLIs shall result in the denial of the latter's privilege to grant **new loans under APDS**. However, the DepEd shall continue servicing the collection of existing loans already incorporated in the payroll system as of the date of the termination of the MOA, and remitting the same to the PLIs until full payment of said loans. Thereafter, the lending code is automatically revoked.

V. GROUNDS FOR SUSPENSION/CANCELLATION/REVOCAION OF APDS-MOA

1. Among the violations or offenses considered for the suspension, and/or revocation/cancellation of this MOA (See Annex C for details) are:
 - 1.1 Transfer, sale or any act of assignment of the lending code
 - 1.2 Unauthorized or illegal deductions
 - 1.3 Over-deductions not refunded within thirty (30) days from receipt of DepEd borrowers' complaint
 - 1.4 Misrepresentation of interest rates and non-interest charges and the inclusion of penalty and accrued interest in the monthly billing
 - 1.5 Unjustified billing to co-makers
 - 1.6 Violations of Truth in Lending Act
 - 1.7 Physical office/branch as reported in the Annex C thereof is not existing or ceased to exist, or was transferred to other location without notifying DepEd
 - 1.8 Non-filing of Income Tax Return
 - 1.9 Gross violation of the MOA
 - 1.10 Execution of another MOA with the unauthorized DepEd official
 - 1.11 Submission of false/fraudulent/grossly negligent documents.
2. In addition, the immediate revocation of the MOA with the PLI shall be made if the latter is found, after proper investigation, to have employed any malicious and defamatory imputation against the official acts of members of DepEd APDS.
3. Offenses arising from violation of these guidelines shall be investigated or determined by the Adjudication Committee that may be designated by the DepEd Secretary in an appropriate DepEd Order, which shall form part of these guidelines.

VI. ACCREDITATION OF NEW LENDING INSTITUTIONS

Lending institutions applying for accreditation are subject to the same criteria as specified in Item III a to n.

VII. POLICY ON COMPLAINTS

1. Any complaint arising from commission or violation of the grounds for suspension/cancellation/revocation mentioned above should be sufficient in form and substance (i.e. complaint must be in writing containing the names and addresses of the complainants and the entity or person complained of, the acts or omissions complained of constituting the violation, based on the personal knowledge of the complainant, and the complaint is verified under oath), which shall serve as a basis for an investigation by DepEd.
2. No additional penalty and accrued interest shall be charged to the concerned DepEd borrowers, for the non-remittance of the Lender's collections due to the imposition of sanctions above.
3. The venue of civil actions arising from violation of the terms and conditions of the MOA and its attachments shall be under the exclusive jurisdiction of the courts of Pasig City.

DISCLOSURE STATEMENT ON LOAN/ CREDIT TRANSACTION
(As Required under R.A. 3765, Truth in Lending Act)

NAME OF BORROWER _____
ADDRESS _____

1. LOAN GRANTED (Amount to be financed) P _____ (A)
2. FINANCE CHARGES

	Not Deducted From	Deducted From
	Proceeds of Loan	
a. Interest _____ % p.a. from ____ to ____ () Simple () Annual () Semi-Annual	P _____	P _____
b. Non-Interest Charges	_____	_____
c. Commitment Fee	_____ X _____	_____ X _____
d. Guarantee Fee	_____ X _____	_____ X _____
e. Other charges incidental to the extension of credit (Specify)	_____ X _____	_____ X _____
_____ X _____ _____ X _____	_____ X _____ _____ X _____	_____ X _____ _____ X _____
Total finance charges	P _____	P _____ (B)

3. NON-FINANCE CHARGES	_____	_____
a. Insurance Premium	_____	_____
b. Taxes	_____ X _____	_____ X _____
c. Documentary/ Science Stamps	_____	_____
d. Notarial fees	_____	_____
e. Others (Specify)	_____	_____
_____	_____	_____
Total non-finance charges	P _____	P _____ (C)

4. TOTAL DEDUCTIONS FROM PROCEEDS OF LOAN (B plus C)	P _____
5. NET PROCEEDS OF LOAN (A less D)	P _____ (D)

6. PERCENTAGE OF FINANCE CHARGES TO TOTAL AMOUNT FINANCED (Computed in accordance with Subsec. X301.1) _____ %

7. EFFECTIVE INTEREST RATE (Method of computation attached) _____ %

8. SCHEDULE OF PAYMENT

a. Single Payment due on _____ (Date)

b. Total Installment Payments Payable _____ in months/year (no. of payments)
at P _____ each installment

P _____

9. COLLATERAL - THRU AUTOMATIC PAYROLL DEDUCTION SCHEME

10. ADDITIONAL CHARGES IN CASE CERTAIN STIPULATIONS ARE NOT MET BY THE BORROWER.

Name	Amount
_____ X _____	_____ X _____
_____ X _____	_____ X _____

CERTIFIED CORRECT:

(Signature of Creditor/Authorized Representative Over Printed Name)

Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION AND THAT I UNDERSTAND AND FULLY AGREE TO THE TERMS AND CONDITIONS THEREOF.

(Signature of Borrower over Printed Name)

Grounds for Suspension and/or Cancellation/Revocation of Lending Code and its Corresponding Sanctions

As of March 11, 2008

Grounds	Violated Provision in the MOA	Classification of Violation
1 Misrepresentation of Interest and Non-Interest Rates		
1.1 Computation of interest and non-interest rates on Loan not in accordance with the APDS-MOA but the Effective Interest Rate is still within 24% cap	Items 2.4 and 6.1.4	Light
1.2 Computation of interest and non-interest rates on Loan not in accordance with the APDS-MOA and the Effective Interest Rate has exceeded the 24% cap	Items 2.4 and 6.1.4	Grave
1.3 Inclusion of penalty charges and accrued interest on loan	Item 6.1.4	Light
2 Violation of Truth in Lending Act		
2.1 <u>Acceptance/submission</u> of blank Authority to Deduct (ATD), Promissory Note (PN), Disclosure Statement (DS) but duly signed by the concerned DepEd borrowers	Item 2.3	Grave
2.2 ATD, PN and DS are not properly accomplished		
2.2.1 No information on the amount of loan granted	Items 2.3 and 6.1.6	<u>Grave</u>
2.2.2 No information on the loan amortization, including the effectivity and termination of deductions	Items 2.3 and 6.1.6	<u>Grave</u>
2.2.3 Inconsistent information of terms of loan (e.g. interest and non-interest rates, duration of payment, etc.) in the DS, PN, and ATD	Items 2.3 and 6.1.6	<u>Grave</u>
2.2.4 Computation of the Net Proceeds on Loan in the DS is not revealed	Items 2.3 and 6.1.6	<u>Grave</u>
2.3 Charging of legal fee/notarial fee but the DS/ATD/PN is not notarized	Items 2.3 and 6.1.6	Grave
2.4 Inclusion of deductions not indicated in the Annex B (sample loan computation) of the APDS-MOA (e.g. Capital Build up, Cellphone conversion, etc.)	Items 2.3 and 6.1.6	Grave

Annex "C"

Grounds for Suspension and/or Cancellation/Revocation of Lending Code and its Corresponding Sanctions

As of March 11, 2008

Grounds	Violated Provision in the MOA	Classification of Violation
3 Non-submission of required loan documents such as the PN, ATD and DS during spot checking	Item 2.5	Grave
4 Not using the prescribed DepED template/standard format for PN, ATD and DS	Item 2.3	Grave
5 Illegal/unauthorized deductions	Item 6.1.2	Grave
6 Unrefunded over- deductions for the third time	Item 6.1.3	Grave
7 Unrefunded over-deductions for the second time	Item 6.1.3	Less Grave
8 Unrefunded over- deductions for the first time	Item 6.1.3	Light
9 Failure to provide rebate for loan renewal prior to the maturity date of the outstanding loan of DepEd borrowers	Item 2.5	Light
10 Failure to provide duly certified Statement of Account upon request of DepEd borrowers.	Item 2.6	Light
11 Extending the termination date of loan amortization beyond what is stipulated in Authority to Deduct signed by DepEd borrowers	Items 2.3 and 2.6	Less Grave
12 Extending the termination date of loan amortization beyond what is stipulated in the Annex B of the APDS-MOA	Items 2.3 and 2.6	Light
13 Inclusion in the loan computation of the supposed Mutual Aid System deductions	Items 2.3 and 2.6	Less Grave
14 Submission of deduction billings not yet availed by teachers for reasons of expected renewals	Item 6.1.8	Grave
15 <u>Billing co-makers</u>	Item 6.1.5	Less Grave
16 PLI is requiring several co-makers (e.g. at least 21 co-makers)	Item 6.1.5	Grave
17 Loan collectibles absorbed by other company	Item 6.1.1	Grave
18 No business permit	Item 2.8	Grave

Annex "C"

Grounds for Suspension and/or Cancellation/Revocation of Lending Code and its Corresponding Sanctions

As of March 11, 2008

Grounds	Violated Provision in the MOA	Classification of Violation
19 With incomplete business permit for PLIs branches	Item 2.8	Less Grave
20 Business permit is still on process after month of January of the year	Item 2.8	Light
21 Business permit used is in the name of other company	Item 2.8	Less Grave
22 Purpose indicated in the business permit is not related to lending business	Item 2.8	Less Grave
23 Office/branch has been transferred to other location but the DepEd Regional /Central Office is not informed for purposes of updating the Annex C of the MOA	Items 2.8 and 6.1.7	Light
24 No prior authority from Central Office to operate lending business in a certain region	Item 2.8	Less Grave
25 Physical Office/branch as reported in the Annex C of the APDS-MOA is not existing/cannot be located	Items 2.8 and 6.1.7	Less Grave
26 Sharing office and personnel with other accredited PLIs	Item 2.8	Less Grave
27 Office/branch is an abandoned house/closed	Items 2.8 and 6.1.7	Less Grave
28 Reported branches/offices are situated in either a house/restaurant	Item 2.8	Less Grave
29 PLI is merged with other company without updating the Regional /Central Office	Item 2.8	Less Grave
30 Transfer, reassignment and sale of deduction code	Item 6.1.1	Grave
31 Piggy-backing (PLI allowing the use of the APDS Lending Code in favor of other unaccredited PLI)	Items 6.1.1. & 6.1.8	Grave
32 Inclusion of unauthorized re-billing in the APDS	Items 2.3 and 6.1.2	Light

Annex "C"

Grounds for Suspension and/or Cancellation/Revocation of Lending Code and its Corresponding Sanctions

As of March 11, 2008

Grounds	Violated Provision in the MOA	Classification of Violation
33 Non-disclosure of the Cancellation of CDA/SEC/IC/BSP registration	Item 6.1.8	Grave
34 Any malicious and defamatory imputation against DepED APDS members as a tactic by PLIs to force or to prevent the Department from further refining and upgrading the APDS Clean-up Program	Item 6.1.8	Grave
35 Charging fee for every request for a Certification of Full Payment on Loan (CFPL) by DepEd borrowers	Item 2.2	Light
36 Entering into a local MOA with fiscally autonomous secondary schools regarding salary deductions	Item 6.1.9	Grave
37 Submission of false/fraudulent/grossly negligent documents	Item 6.1.8	Grave
38 Non-filing of Income Tax Return and non-submission of Audited Financial Statements	Item 6.1.8	Grave