

**REPAYMENT OF STUDENT LOANS
PROCEDURES**

1. Title 5, United States Code, section 5379 and the Code of Federal Regulations, Part 537, establish statutory and regulatory authority for the use of student loan repayment as a **recruitment or retention tool**. This plan provides parameters for implementing the Student Loan Repayment Program within the Department of Army. Repayment is limited to outstanding federally insured loans made by the Higher Education Act of 1965 and the Public Health Service Act. (A list of federally insured loans is attached.)

2. EMPLOYEE ELIGIBILITY: Eligible employees include temporary employees on appointments leading to conversion to term or permanent appointments; term employees with at least 3 years remaining on their appointments; permanent employees and employees serving on excepted appointments with conversion to term, career or career conditional.

3. APPROVAL REQUIREMENTS: Managers may submit requests for repayment of student loans to the commander/organization head for approval. **The following steps must be followed in order to obtain commander/organization head approval of the repayment of student loans to be used as a recruitment tool:**

- 3-1. Prepare a memorandum of Justification which includes 3-2 through 3-6.
- 3-2. Certification that the organization would encounter difficulty in filling the position in the absence of repayment of student loan and the basis for the determination.
- 3-3. Copy of candidate's application for employment, verification of previous salary, position description for the vacant position to be filled, vacancy announcement.
- 3-4. Certification that the employee's position is authorized on the organization's TDA and that funding is available to pay the loan, certification also must also address the rationale for the loan amount.
- 3-5. A description of special qualifications needed for the position.
- 3-6. The results of recent efforts to recruit candidates for similar positions, including indicators such as offer acceptance rates, the proportion of positions filled, and the length of time required filling similar positions; the recent turnover rate in similar positions; the labor market current and future availability of candidates for similar positions, as applicable in the case at hand.
- 3-7. Submit memo to obtain approval.

3-10 **When used as a retention tool, the following steps will apply:**

3-11a. Prepare a memorandum, which includes 3-11b through 3-11e.

3-11b. Certification that the employee is likely to leave the Federal Government in absence of repayment of the student loan.

3-11c. Certification that the employee's position is authorized on the organization's TDA and that funding is available to pay the loan. Certification also must include justification for loan amount.

3-11d. Description of the extent to which the employee's departure would affect the agency's ability to carry out an activity or perform a function that is deemed essential to the agency's mission.

3-11e. The results of recent efforts to recruit candidates and retain employees with similar qualifications to those possessed by the employee for positions similar to the position held by the employee and the availability in the labor market of candidates for employment who, with minimal training or disruption of service, could perform the full range of duties and responsibilities assigned to the employee, as applicable in the case at hand.

3-11f. Submit memo to obtain approval.

3-12. Determination For Recruitment: **Prior to submitting the Request for Personnel Action (RPA), the manager should consider if offering the payment of student loans would be a valuable recruitment incentive for the position.**

3-13. Determination For Retention: An offer to repay a student loan may be used if the employee has accepted a position in the private sector. Repayment is only authorized for an employee who has accepted a job in the private sector.

3-14. Selecting Employees: In selecting employees for repayment of their student loans, managers shall consider both equitable treatment and diversity of the workforce when selecting employees for this benefit.

3-15. Dollar Value of Repayments: Managers will determine the amount of the loan repayment based on the employee's value to the activity and budgetary considerations. The maximum payment allowable in one year is \$6,000.00, with a total of \$40,000 per employee.

4. PROCEDURES FOR MAKING LOAN REPAYMENTS: Repayment of student loans will be based solely on the outstanding debt at the time the employee and the activity enter into an agreement. Payments cannot be made prior to the employee entering on duty.

5. The Manager will verify the existence of, and the balance remaining on qualifying outstanding loans by requesting the candidate/employee provide a letter from the loan holder containing this information. Repayments can not be made on responses from the loan holder over 60 days old. Commands/organizations can repay more than one loan as long as the loan repayments do not exceed the \$6,000 per year/\$40,000 lifetime limit.

6. Commands/organizations cannot reimburse late fees assessed by the loan holder if the student loan repayment is not received in time.

7. **The employee is responsible for continuing to make loan payments on the portion of the loan for which he/she is responsible and for any income tax obligation resulting from the student loan benefit.**

8. SERVICE AGREEMENT: Prior to any repayment of student loan, the employee is required to sign a service agreement. A copy of the service agreement is attached. All service agreements require a 3-year commitment, which begins the day, the Defense Finance and Accounting Service (DFAS) makes the first payment to the loan holder.

9. The renewal of a service agreement or an increase in the amount of the repayment previously agreed upon require a new 3-year service commitment.

10. A completed copy of the service agreement must be provided by the CPAC to DFAS for it to begin payments to the loan holder.

11. LOSS OF ELIGIBILITY FOR LOAN REPAYMENT BENEFITS: An employee loses entitlement to continued benefits if he/she:

- (1) separates from the agency, or
- (2) does not maintain an acceptable level of competence (employees most recent rating must be at least Fully Successful), or
- (3) violates the conditions of the service agreement.

12. Within the criteria addressed in this plan, the service agreement can specify other employment conditions for continued authorization. These can include a requirement that the employee perform specific duties, meet all conditions of employment for the position, retain employment within the organization or specify specific levels of performance that must be maintained (e.g., Success Level 2). These conditions must be defined on the first page of the service agreement, under Conditions of Employment.

13. EMPLOYEE REIMBURSEMENT: An employee who fails to complete the period of employment stated within the service agreement must reimburse the Department of Defense for the amount of any student loan repayment the employee received.

14. Failure to complete the period includes involuntary separation based on misconduct or performance.

15. Employees who do not complete periods of service under the terms of the service agreement are subject to the debt collection process as outlined by DoD 7000.14-R, Department of Defense Financial Management Regulation, Volume 8. Waiver authority has been delegated to the Defense Finance and Accounting Service.

16. RECORDS AND REPORTS: CPD will submit annual reports (info will be obtained from DFAS) to the Assistant Secretary of the Army, Manpower and Reserve Affairs, Policy and Program Development Division, Benefits and Entitlements Branch, each fiscal year. The reports will identify the number of employees receiving the repayment incentive, the employees' job classifications, when each repayment was approved and the total annual repayments.

17. DOCUMENTATION AND RECORDKEEPING: Approving officials are responsible for ensuring that the basis for repaying a student loan is fully justified. The Manager will maintain documentation for each student loan repayment to include verification of the employee's outstanding student loan (typically the letter from the loan holder), the manager's justification for authorizing the loan repayment, and a copy of the service agreement. A copy of the service agreement will be filed on the left-hand side of the employee's official personnel folder.

18. PROCEDURES TO PROCESS: Manager submit memo requesting repayment of student loan with justification to the Commander/Organization Head for approval. Employee provides loan documentation. CPAC notifies employee/selectee of the student loan repayment approval. Employee signs service agreement. CPAC reviews and forwards to DFAS for payment and to the CPOC for filing service agreement.

Responsibilities:

CPOC: Duties/Responsibility -File documents in official personnel folder and include statement that repayment of a student loan may be paid as a recruitment or retention incentive.

CPAC: Duties/Responsibility -Extend job offer and notify the employee/selectee of the loan approval,-counsel managers, employees and forward documentation to CPOC and DFAS.

MANAGER: Verify loan existence and balance, approve use, authorize funds for repayment of student loan and maintain case file of documentation.

EMPLOYEE: Provide loan documentation and sign service agreement.

**DEPARTMENT OF ARMY
REPAYMENT OF STUDENT LOAN SERVICE AGREEMENT**

Employee Name and SSN: _____

Position, Title, Series and Grade

I _____ agree to complete years (3-years minimum) of service for the Department of Army. My service requirement begins on the date signed on this agreement. Payments will be made to:

(Lender Name and **Full** Address)

In return, Department of Army, will make payments on my outstanding federally insured loan in accordance with the following terms. Increases or renewal of payments made under this part not to exceed \$6,000 each calendar year and a lifetime total of \$40,000. The renewal may/may not amend the service agreement to a new 3-year period.

Amount Per Year
Total

Number of Years

Loan Repayment Procedures

The Defense Finance and Accounting Agency will make payments to the lender on a bi-weekly basis. The Defense Finance and Accounting Agency will determine the amount to be paid by dividing the annual entitlement into 26 payments for each year the loan payments are to continue. The loan repayment amount will be included as taxable wages in my biweekly paycheck and I will be assessed the appropriate amount for tax with holdings. Payments to lenders will be in the form of hard copy checks.

Reimbursement of Loan Repayment Benefit

I understand I will no longer be eligible for the loan repayment benefit if I voluntarily end my employment with the agency, am separated for reasons of misconduct or performance, fail to maintain an acceptable level of performance, or in any way violate the terms of this agreement. If I leave the Department of Army before I complete the period of service specified in this agreement, I will be indebted to the Federal Government and must reimburse the Department of Army for the amount of any student loan repayments (gross, before taxes and deductions) that the agency has made on my behalf.

Employee's Signature and Date: _____

Approving Officials Signature and Date:
