

## INFORMATION PAPER

AHRC-PDP-E  
4 November 2010

SUBJECT: Military Deferment of Student Loans

1. Purpose: To provide information pertaining to the laws and policy related to military deferment/forbearance of student loans for soldiers in the Loan Repayment Program (LRP).

2. Facts.

a. The Higher Education Amendments of 1992, Public Law 102-325, 23 July 1992, deleted military deferments (only certain subsidized loans were eligible for military deferment). All borrowers who received their first loan disbursement prior to 1 July 1993 are still eligible for military deferments. All borrowers who received their first loan disbursement after 1 July 1993 are not eligible for a military deferment.

b. Soldiers must contact their lender to determine if they are eligible for any type of deferment or to request a forbearance on their student loans. Soldiers not receiving a deferment/forbearance will have to continue to make monthly payments unless their lender grants them a deferment/forbearance on their loan.

c. The U.S. Army does not assume an individual's student loan; loan status is the individual's responsibility. Enrollment in the LRP does not exempt soldiers from their obligation to repay their loans, whether they are eligible for deferment or not. The soldier remains responsible for securing a deferment or forbearance. The letter by itself does not secure deferment or forbearance; the lender must acknowledge and approve all requests for deferment or forbearance. The Soldier is responsible for renewing the deferment or forbearance during the time he/she is in the LRP.

d. Beginning July 1, 1995, in accordance with Federal Register (59 FR 14070) Section 682.211, Administrative Forbearances, loan holders will be required by federal law to mandatorily forbear any and all federally insured student loans (does not include private loans) that fall under student loan repayment programs administered by the Department of Defense under Title 10 U.S.C 2171.

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## INFORMATION PAPER

AHRC-PDP-E  
11 November 2010

SUBJECT: Loan Repayment Program

1. Purpose: To provide information to individuals entering active duty as a member in an officer candidate program or military specialty specified by the Secretary of the Army with the Loan Repayment Program (LRP) as part of their contract.

2. Facts.

a. The LRP is a Department of Army option authorized by PL 99-145, Section 671(a)(1). Individuals must contract for the LRP upon entry on active duty.

b. Eligibility criteria for this program consists of the following: Individual must contract for the LRP as a non-prior service accession for a 3 or more year term of service into the active force; must disenroll from Montgomery GI Bill; contract as a member in an officer candidate program or contract for a selected MOS. Loans must be made, insured, or guaranteed prior to entry on active duty.

c. Loans that qualify for repayment

1. any loan made, insured, or guaranteed under part B of title IV of the Higher Education Act of 1965 (20 U.S.C. 1071 et seq.);

2. any loan made under part D of such title (the William D. Ford Federal Direct Loan Program, 20 U.S.C. 1087a et seq.);

3. any loan made under part E of such title (20 U.S.C. 1087aa et seq.); or

4. any loan incurred for educational purposes made by a lender that is –

(i) an agency or instrumentality of a State;

(ii) a financial or credit institution (including an insurance company) that is subject to examination and supervision by an agency of the United States or any State;

(iii) from a pension fund or a non-profit private entity (subject to case-by-case review/approval by this office)

Before entering active duty, and during the repayment process, the loan must not be in default. The borrower is responsible for obtaining a deferment, forbearance, or ensure the loans remain in good standing throughout the repayment process.

d. Active Army LRP participants earn their first loan repayment after completion of a full year of active duty and additional payments for each full year thereafter, up to 3 years. Each payment consists of 33-1/3% or \$1,500 whichever is greater, on the total

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remaining original unpaid principal. Education Incentives Branch, AHRC, authorizes Defense Finance and Accounting Services (DFAS) to disburse appropriate payment to the loan holder. The Department of Army will pay no interest, loan balances in default, or any other charges.

e. Payments are subject to federal and state income taxes as taxable income in the year repayment is disbursed. The DFAS will send the soldier a W-2 Form separate from the W-2 Form received for military pay. A percentage of the LRP payment will be withheld; therefore, it is important that the Soldier file income taxes with this W-2. Since payments are considered income, this withholding will deter a large tax bill at the end of the year. In general you will receive a refund from the IRS.

EXAMPLE: \$2,500 would be withheld from a \$10,000. Potentially, you could get all the money back from the IRS and use the refund to make a payment on your student loans.

f. If an individual separates from active duty prior to completion of their initial term of service, a copy of DD Form 214, Member 4, Certificate of Release or Discharge from Active Duty must be submitted to the address indicated in paragraph 2 f. Submission of DD Form 214 will effect possible future payments toward qualifying loans. Individuals separating to become a commissioned officer must also submit the DD Form 214 to ensure continuation of payments.

g. If a LRP participant has been on active duty for 10 months, and has not heard from the Education Incentives Branch, they should contact the following in writing:

Commander, AHRC  
ATTN: AHRC-PDP-E, Dept 480  
1600 Spearhead Division Avenue  
Fort Knox, KY 40122-5408  
e-mail: [hrc.tagd.pdeei@conus.army.mil](mailto:hrc.tagd.pdeei@conus.army.mil)

h. Loan status is the borrower's responsibility. The U.S. Army does not assume an individual's student loan; the individual remains responsible for the status of the loan. Individuals whose loan holders are requesting repayment must contact their loan holder to request a deferment or forbearance or set up a payment plan if the loan does not qualify for a deferment or forbearance. In some cases, the deferment will stop interest (which the U.S. Army will not repay) from accruing, and the forbearance prevents payments from coming due on a student loan. A deferment or forbearance will also prevent a loan from delinquency or default. Conditions under which deferments or forbearance are obtained are handled solely between the borrower and the loan holder. Responsibility rests with the borrower to request the deferment or forbearance, or ensure the loan remains in good standing. **NOTE:** There are many loans that do not qualify for a deferment or forbearance and payment will be the responsibility of the borrower.

i. In accordance with the lender's promissory note and the laws governing federally guaranteed student loans, the borrower must keep the loan holder/lender informed of any changes in personal data, e.g., address, occupation, changes in military service, etc. The loan holder/lender does not supply information to the Army; therefore, it is imperative the LRP participant keep this office informed of any changes in personal status, particularly if the loan is sold to another agency.

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