

# REPAYMENT OF STUDENT LOANS FOR RECRUITMENT AND RETENTION

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## I. Purpose

This Management Directive (MD) provides guidance and policy for the use of student loan repayment authority to recruit or retain employees in difficult-to-fill positions within the Department of Homeland Security (DHS). The program's intent is to facilitate the recruitment and retention of highly qualified employees by allowing DHS to repay part or all of their federally insured student loans.

## II. Scope

This MD applies to all DHS Components.

## III. References

The following laws, regulations, orders, policies, directives, and guidance govern this MD:

- A. Title 5, CFR, Part 537, "Repayment of Student Loans."
- B. Title 5, U.S.C., § 5379, "Student Loan Repayments."
- C. Delegation Number 0201.1, "Delegation to the Under Secretary for Management."

## IV. Definitions

- A. **Approving Official:** For purposes of this MD, an Approving Official is:

A DHS management official who has been delegated the authority to approve payment and to certify the availability of funds by the Component plan for use of the Student Loan Repayment authority. It is proper for an approving official to work with the appropriate human capital and general counsel offices to assure that the requested incentive meets all statutory and regulatory requirements.

B. **Component**: All the entities that directly report to the Office of the Secretary, which includes the Secretary, Deputy Secretary and his or her staff, Chief of Staff and his or her staff, and Counselors and their staff.

C. **Eligible Employee**: Eligible employees include:

1. Permanent employees;
2. Employees serving a term appointment with at least three (3) years remaining on their appointment;
3. Employees serving in excepted appointments with conversion to term, career, or career-conditional appointments (e.g., Presidential Management Fellows, Veteran Readjustment Appointments (VRAs), and career interns); and,
4. Temporary employees under 5 CFR 315.704 who are serving on appointments leading to conversion to term or permanent appointments.

NOTE: Employees occupying a position excepted from the competitive civil service because of its confidential, policy-determining, policy-making, or policy-advocating nature (e.g., Schedule C employees) are not eligible for student loan repayment benefits.

D. **Student Loan**: A loan made, insured, or guaranteed under parts B, D, or E of title IV of the Higher Education Act of 1965; or a health education assistance loan made or insured under part A of title VII of the Public Health Service Act or under part E of title VIII of that Act, including the following:

1. **Federal Family Education Loans (FFEL)** – Subsidized Federal Stafford Loans, Unsubsidized Federal Stafford Loans, Federal PLUS Loans, Federal Consolidation Loans
2. **William D. Ford Direct Loan Program (Direct Loans)** – Direct Subsidized Stafford Loans, Direct Unsubsidized Stafford Loans, Direct PLUS Loans, Direct Subsidized Consolidation Loans, Direct Unsubsidized Consolidation Loans
3. **Federal Perkins Loan Program** – National Defense Student Loans (made before July 1, 1972), National Direct Student Loans (made between July 1, 1972, and July 1, 1987), Perkins Loans (made after July 1, 1987)
4. **Loans made or insured under the Public Health Service Act** – Loans for Disadvantaged Students (LDS), Primary Care Loans (PCL), Nursing Student Loans (NSL), Health Professions Student Loans (HPSL), Health Education Assistance Loans (HEAL)

## V. Responsibilities

A. **The Under Secretary for Management** shall be responsible for:

Establishing the general policy direction and approving policy for the administration of student loan repayments and evaluating the effectiveness of the program within DHS.

B. **The Chief Human Capital Officer (CHCO)** shall be responsible for:

1. Preparing written policy guidance for the administration of the student loan repayment program within DHS;
2. Providing technical advice and assistance to components; and,
3. Providing required Department-wide reports on the use of the student loan repayment program.

C. **Heads of Components and the Director for Human Capital Services (for all Components serviced by the Office of Human Capital Services)** shall be responsible for:

1. Developing a plan for the repayment of student loans before authorizing payments under this authority;
2. Monitoring compliance with merit system principles for student loan repayments that are authorized within their organizations, and that authorizing officials consider the need to maintain a balanced and diverse workforce;
3. Ensuring that their responsibilities under labor relations statutes and union agreements are fulfilled, if applicable, at the level of recognition; and,
4. Providing an annual (or as otherwise requested) report to the DHS Office of the Chief Human Capital Officer, identifying the number of employees receiving benefits under this authority, their job classifications, and the dollar amount of the benefits provided.

D. **Employing Component** will:

1. Comply with merit system principles when selecting employees to receive loan repayment benefits and consider the need to maintain a balanced and diverse workforce.

2. Ensure the fulfillment of responsibilities under labor relations statutes and union agreements, if applicable, at the level of recognition.
3. Obtain proper approval from the approving official including the accounting data charged for the payment and certification of the availability of funds prior to authorizing reimbursement.
4. Prepare the written justification for the loan repayments and maintain case files.
5. Provide information needed to process the reimbursement request to the servicing payroll office.
6. Document the payment in the employee's records with Nature of Action (NOA) 817.
7. Maintain a record of each written determination in support of the repayment of a student loan, including the determination of the amount of the repayment, and provide to the Component headquarters for incorporation into component-wide reports.

E. **Employees** will be responsible for:

1. Making loan payments on the portion of the loan that continues to be the employee's responsibility;
2. Paying any income tax obligation(s) resulting from the loan repayment benefit; and,
3. Fulfilling the requirements of the service agreement.

## VI. Policy and Procedures

A. **Student Loan Repayment Plan:** Each Component may decide whether it wishes to utilize student loan repayment incentives. However, before authorizing any student loan repayments a Component must develop and implement a student loan repayment plan. The Director, Office of Human Capital Services is responsible for approving all student loan repayment plans for Components serviced by the Office of Human Capital Services.

B. Student loan repayment plans must be consistent with this MD and include, at a minimum:

1. Identification of the level to which authority to offer student loan repayment as a recruitment and retention tool may be delegated (not lower than the immediate supervisor).

2. Identification of the level to which authority to approve agreements for student loan repayment as a recruitment and retention tool, including the authority to certify the availability of funds (not lower than the second level supervisor), and the authority to redelegate, if applicable.
3. Description of the written documentation required to justify both the repayment of student loans and amount of repaid loan(s).
4. Identification of procedures to:
  - a. Verify that a student loan is federally insured and eligible for repayment under this program.
  - b. Verify the current loan balance at the time of the initial payment and any subsequent payment.
  - c. Reach agreement with the holder on terms of payment.
  - d. Ensure that the employee signs the student loan repayment service agreement prior to payment.
  - e. Obtain proper approval from the approving official, including a certification of the availability of funds. When used for recruitment purposes, obtain approval before the employee enters on duty.
5. Attached are sample forms that document the nature of information required. They may be adopted as part of each Component's student loan repayment program plan. If alternate forms are used, those alternates must capture equivalent information.
  - a. [Attachment 1](#) is a sample service and repayment agreement.
  - b. [Attachment 2](#) is a sample form to document student loan repayment program outstanding loan information.
  - c. [Attachment 3](#) is a sample form to document the request for and approval of authority to repay a student loan.

C. **Criteria for Payment.**

1. Eligible employees may be considered for student loan repayment benefits up to ten thousand dollars (\$10,000) per calendar year, with a sixty thousand dollars (\$60,000) agency maximum for any individual. More than one (1) loan may be repaid if the combined repayments do not exceed these limits.

2. Student loan repayment benefits may be provided for both recruitment and retention purposes.

a. Recruitment

(1) Loan repayment may be authorized upon determination that, in the absence of loan repayment benefits, DHS would have difficulty filling a position with a highly qualified candidate.

(2) This determination must be in writing and must document the criteria used to determine the amount of loan repayment benefits.

(3) The determination to authorize a student loan repayment and the amount paid, for recruitment purposes, must be made before the employee enters on duty.

b. Retention

(1) Loan repayment may be authorized upon a determination that, in the absence of student loan repayment benefits, DHS would have difficulty retaining a highly qualified employee.

(2) This determination must be in writing and must document the criteria used to determine the amount of the loan repayment benefit.

3. An employee receiving student loan repayment benefits will be ineligible for continued benefits if he/she:

a. Separates from DHS for any reason;

b. Fails to maintain a fully satisfactory level of work performance; or

c. Violates any of the conditions of the service agreement.

D. **Service Agreement.**

1. Before any loan repayment may be made for recruitment or retention purposes, the employee must sign a written agreement:
  - a. The agreement must be to serve for a minimum of three (3) years with the agency, regardless of the amount of repayment authorized.
  - b. This three (3) year period will begin when the first payment is made to the holder of the loan.
  - c. Additional, annual loan repayment amounts may be authorized during the period of the initial service agreement subject to review and recertification that funds are available.
  - d. Any annual loan repayment made after completion of the initial service agreement will extend the service agreement by one additional year for each additional annual payment.
2. The agreement may specify employment conditions considered appropriate, such as, but not limited to:
  - a. The employee's position;
  - b. The duties he/she is expected to perform;
  - c. The work schedule; and,
  - d. The required level of performance.
3. The service agreement does not constitute a right, promise, or entitlement to continued employment or noncompetitive conversion to the competitive service, nor does it limit management's right to take corrective or disciplinary actions as otherwise appropriate.

E. **Failure to Complete a Service Agreement.**

An employee who, voluntarily or because of performance or misconduct, fails to complete the agreed-upon period of service must refund the full amount of benefits received during the initial three (3) year period. Employees who fail to complete the period of service under a one (1) year extension (e.g., fourth year, fifth year), must repay the amount of the benefits received in the extension year only. If an employee fails to reimburse DHS, the amount outstanding will be recovered from the employee under established debt collection procedures.

F. **Waiver of Repayment.**

1. Repayment may be waived wholly or in part at the discretion of the Secretary if recovery would not be in the public interest or would be against equity and good conscience.

a. In making this determination, the Secretary will take into account consistency, fairness, and the cost to the taxpayer of recovering monies owed to the government.

b. A waiver may be considered, but is not automatic, when an employee accepts a position in another Component of DHS.

2. Repayment is automatically waived when an employee fails to complete the service agreement due to death, disability retirement, or inability to continuing working due to disability supported by medical documentation acceptable to the approving official.

G. **Procedures for Making Loan Repayments.**

1. The National Finance Center (NFC) will make payments directly to the lending institution holding the loan on behalf of the employee by electronic funds transfer (EFT). NFC will make one (1) annual payment of the amount specified by the service agreement each year a payment is authorized. Payments may be applied only to indebtedness outstanding at the time the agreement is signed, and no payment may be made before an employee enters on duty. Updated loan documentation is required for each annual payment.

2. Loan repayment benefits made under this authority are in addition to basic pay. These benefits are subject to Federal income tax, Federal Insurance Contributions Act (FICA) and Medicare withholding, and any State or local income tax withholdings that may be applicable. NFC will deduct tax withholdings at the time payment is made.

3. The total disbursements (payment to lender, taxes, FICA, etc.) will be used to determine whether the annual and/or agency maximum payment limitations apply.

H. **Processing Instructions.**

In order to process the reimbursement request and ensure appropriate tax withholdings are made, the following documents and information must be provided to the employing office's servicing payroll office:



1. A copy of the signed service agreement; and
2. A copy of the statement from the employee's lending institution verifying the outstanding loan amount(s), the employee's loan account number(s), the lending institution's Federal Tax Identification Number, and the lending institution's EFT routing numbers.

## **VII. Questions**

Address any questions or concerns regarding this MD to the Office of the Chief Human Capital Officer.

## STUDENT LOAN REPAYMENT PROGRAM SERVICE AGREEMENT

DEPARTMENT OF HOMELAND SECURITY

### STUDENT LOAN REPAYMENT PROGRAM SERVICE AGREEMENT

NAME (Print or Type-First Middle Last)	Social Security Number	Employing Office

In consideration of the student loan repayment benefit for which I qualify under 5 U.S.C. § 5379, as implemented by the regulations of the Office of Personnel Management (5 CFR 537) and the policies of DHS and the \_\_\_\_\_, (Employing Office)

I hereby agree to the following terms and conditions:

1. I agree to serve in \_\_\_\_\_ for (Employing Office) three-years (initial contract) or one year (extension).
2. The amount of the student loan repayment benefit is \$ \_\_\_\_\_ (up to \$10,000). I understand that the commitment to repay my loan is for one year, subject to yearly extensions.
3. If student loan repayment benefits are made in the second or third year, my service agreement will not be extended.
4. If student loan repayment benefits are made beyond three years, my service agreement will be extended by one year for each annual payment made beyond the third year.
5. The service agreement is effective \_\_\_\_\_ through \_\_\_\_\_ (Month/Day/Year) (Month/Day/Year)
6. \_\_\_\_\_ is authorized to verify the status and outstanding (Employing Office) balance of each loan and to discuss the terms with the lender or note holder.
7. This service agreement in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service. Acceptance of this agreement does not alter the conditions or terms of my employment; accordingly, this agreement will not preclude nor limit DHS from effecting personnel actions as may be appropriate.
8. In the event I voluntarily leave DHS or in the event I am involuntarily separated for misconduct or performance before completing the agreed upon period of service, I will be indebted to the Federal Government and must reimburse DHS for the full amount of any student loan repayment benefits received under this service agreement.

ATTACHMENT 1

9. I am responsible for making loan payments on the portion of the loan that continues to be my responsibility.
10. The student loan repayment benefits made do not exempt me from my responsibility and/or liability for the loan.
11. I am responsible for any income tax obligation resulting from the student loan repayment benefit.
12. DHS/ \_\_\_\_\_ is not responsible for any late fees assessed by the  
(Employing Office)  
lender if the student loan repayment benefit is not received on time.
13. The student loan repayment benefits made on my behalf by DHS will not exceed the maximum amount of \$60,000.
14. I also agree to the following condition(s):

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**I AGREE TO THE TERMS CONDITIONS OF THIS SERVICE AGREEMENT:**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name (Print/Type) \_\_\_\_\_

**General**

This information is provided pursuant to the Privacy Act of 1974 (P.L. 93-597).

**Authority for Collection of Information**

5 U.S.C § 5379

**Purpose and Uses**

The main purpose for collecting the information requested on this form is to establish the terms under which an individual receives a student loan repayment benefit under the DHS Student Loan Repayment Program. The information collected will be used as a basis for payroll actions. Accordingly, disclosure of identifiable information, including your Social Security Number (SSN), may be made to the Internal Revenue Service for tax withholding purposes, the Department of Agriculture (National Finance Center) for payroll action, and to the Department of Labor for worker compensation claims. This information may also be disclosed to the Department of Justice for other lawful purposes, including law enforcement, and in the event of litigation. In addition, these records, or information derived from these records, may also be used within DHS for study purposes, such as projection of staffing needs, and/or creation of non-identifiable statistical data for reports to other Federal agencies and Congress.

**Information Regarding Disclosure of Your Social Security Account Number**

Disclosure of the SSN is mandatory since it is the identifier used by the Internal Revenue Service and for the withholding of taxes from your salary. The use of the SSN is necessary because of the large number of present and former employees and applicants who have identical names and birth dates, and whose identities can be distinguished only by the SSN. It is used primarily to identify an employee's personnel, leave, and pay records and to relate one to the other. In this regard, it is also used by DHS to locate records in order to respond to lawful requests for information from former employers, educational institutions, and financial or other organizations. The information gathered through the use of the number will be used only as necessary in personnel administration processes carried out in accordance with established regulations and published notices of systems of records. The SSN also will be used for the selection of persons to be included in statistical studies of personnel management matters.

**Effect of Non-disclosure**

Your submission of this agreement is voluntary; however, if the agreement is submitted, omission of significant information requested would preclude continued processing of the agreement for you to receive a student loan repayment benefit because payroll would be unable to process the necessary actions

## STUDENT LOAN REPAYMENT PROGRAM OUTSTANDING LOAN INFORMATION

DEPARTMENT OF HOMELAND SECURITY

### STUDENT LOAN REPAYMENT PROGRAM OUTSTANDING LOAN INFORMATION

NAME: \_\_\_\_\_

SSN: \_\_\_\_\_

The following information is required for each lender of loan(s) being considered under the DHS Student Loan Repayment Program.

1. Loan information, documented by an official document/letter from the lending institution.
  - a. Name of the Federally funded loan received (e.g., Federal Stafford Loan, Federal Plus Loan, Federally Insured Student Loan, etc.);
  - b. Date loan was obtained;
  - c. Remaining balance of loan; and
  - d. Loan account number.
2. Name, address, telephone number, and electronic funds transfer (EFT) number for the lending institution holding the loan (e.g., bank, educational institution).
3. Name, address, telephone number, and EFT number of servicing agent of the loan to whom payments are sent (if different from #2).
4. Name, title, and telephone number of authorized official for the lending institution.
5. Federal Tax Identification Number or EIN (required for sending payments).

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## REQUEST FOR STUDENT LOAN REPAYMENT BENEFITS

### DEPARTMENT OF HOMELAND SECURITY REQUEST FOR STUDENT LOAN REPAYMENT BENEFITS

Name		Social Security Number	
Title	Series/Grade/Step or Cluster/Band	Type of Appointment	
Total Amount of Student Loan Repayment Benefit Received-to-Date (Include the Requested Amount from this form). \$ _____			
Student Loan Repayment Benefit Amount Requested: \$ _____	Student Loan Repayment Benefit for Year Number: (Circle One) 1    2    3    4*    5*    6*    Other* <sup>1</sup> _____  <i>NOTE: Service agreement must be attached to this request form. (* Additional agreement required)</i>		
Current Balance of Outstanding Loan(s): \$ _____  <i>NOTE: Official documentation from loan holder documenting loan balance and type of loan must be attached to this request form.</i>			
Compensation:			
Base Pay (including Locality Pay or special salary rate)	\$	_____	
Other Continuing Pay, e.g., retention allowance	\$	_____	
Other Payments, e.g., recruitment bonus	\$	_____	
Student Loan Repayment Benefit Amount	\$	_____	
<b>TOTAL COMPENSATION</b>	<b>\$</b>	_____	

<sup>1</sup> If payments continue for more than six years because less than the maximum amount was paid each year and the total agency payment does not exceed \$60,000, identify the appropriate year in "other."

ATTACHMENT 3

Recommending Official	Title	Date
Accounting Data to be charged		
Certification of Funds	Title	Date
Personnel Official	Title	Date
Approving Official	Title	Date
Effective Date:	Expiration Date:	