



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

FORCE MANAGEMENT
POLICY

17 OCT 2001

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Authority Delegation - Student Loan Repayment Approval

In response to concerns about the human capital challenges facing the Federal government, the Office of Personnel Management (OPM) published final regulations implementing section 5379 of title 5, United States Code. The OPM regulations allow agencies to enhance workforce planning through the use of student loan repayment as a recruitment and retention tool. Effective immediately, the authority to approve student loan repayments is delegated to the heads of the Department of Defense (DoD) Components, as defined in the attached DoD Student Loan Repayment Plan.

The plan requires that the DoD Components establish criteria for candidate selection and loan repayment determinations, prior to approval of the loan repayment incentive. Once criteria are established, DoD Components may immediately apply the plan. A DoD Civilian Personnel Manual subchapter is being drafted.

A handwritten signature in black ink, appearing to read "J. L. Schrader".

J. L. Schrader
Acting Deputy Assistant Secretary
Civilian Personnel Policy

Attachment:
As stated

Department of Defense Student Loan Repayment Plan

Purpose. Section 5379 of title 5, United States Code, and Part 537 of Title 5, Code of Federal Regulations (CFR), establish the statutory and regulatory authority for the use of student loan repayment as a recruitment or retention incentive. This plan provides the parameters for implementation of the incentive within the Department of Defense (DoD). Appointing officials in DoD may consider the authority as part of their workforce reshaping efforts and shall use this plan to repay student loans until it is incorporated into the DoD Civilian Personnel Manual. Repayment is limited to outstanding federally insured loans made by educational institutions or banks, and other private lenders as authorized by the Higher Education Act of 1965 and the Public Health Service Act.

Applicability. This plan applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within DoD (hereafter collectively referred to as the DoD "Components").

Eligibility. A DoD Component may offer student loan repayment to facilitate the recruitment or retention of highly qualified employees who meet the eligibility criteria established in 5 CFR 537.104. The incentive may be paid provided there is a written determination by the approving official (see approval policy below) that, in the absence of student loan repayment, the Component would encounter difficulty in filling the position or retaining an employee in that position. Determinations for recruitment purposes must be made before the employee enters on duty. Determinations for retention purposes must be based on the qualifications of the employee or the special need of the Component for the employee's services and, in the absence of offering loan repayments, an assessment that the employee would be likely to leave the Federal service. When selecting employees to be recipients, a DoD Component shall adhere to merit system principles.

Student Loan Repayment Approval. The authority to approve repayment of student loans is delegated through, and subject to, the authority of the Head of the DoD Component and the Component's chain of command to the officials who exercise personnel appointing authority (normally, the head of an installation or activity). Officials shall establish criteria that must be met or considered in authorizing the incentive, including criteria for determining the size of a payment, to comply with OPM regulations at 5 CFR 537.105. The amount paid may not exceed maximum statutory limitations. Prior to authorizing loan repayments,

Components must verify that the employee has a qualifying outstanding student loan. Components may repay more than one loan as long as the payments do not exceed the legally prescribed limits, but they shall not authorize payments to cover accrued penalties associated with any loans.

Student Loan Repayment Service Agreement. A student loan repayment is made directly to the lender under the terms, limitations, and conditions of a written service agreement between the Component and the employee for a specified period of employment with DoD. The incentive is in addition to basic pay and any other form of compensation payable to the employee. The attached sample service agreement contains the information required by 5 CFR 537 and this plan. DoD Components shall insert Component unique requirements where indicated.

a. Service requirements begin on the date stated in the agreement. Components may extend or renew payments without requiring a new period of service. If the Component extends or renews payments, the Defense Finance and Accounting Service (DFAS) shall be provided with a copy of the amended agreement to ensure the size and duration of payments to the loan holder are adjusted accordingly.

b. Employees who fail to complete the period of service specified in the service agreement must reimburse DoD for the entire amount of all benefits received. The debt collection process is outlined in DoD 7000.14-R, Department of Defense Financial Management Regulation, Volume 8. The appropriate authority may waive the recovery of an employee's debt, in whole or in part, if he or she determines that recovery would be against equity and good conscience, or against the public interest.

Loan Repayment Procedures. DFAS will make payments to the lender on a biweekly basis. DFAS will determine the amount to be paid by dividing the annual repayment amount by the number of pay periods in the year for which payments are made. This usually will be 26 payments per year, except for years having 27 pay periods. In those cases, 27 biweekly payments will be made. The loan repayment amount will be considered as taxable wages and tax withholding will be made on a biweekly basis as appropriate. DoD is not responsible for any late fees or penalties assessed by loan holders prior to, during, or subsequent to this agreement.

Documentation and Records. Each approving official is responsible for ensuring that the justification for each student loan repayment incentive is documented and records are maintained in accordance with 5 CFR, Part 537. Documentation shall include verification that the employee's outstanding student loan qualifies for repayment and shall contain the written determinations of recipient eligibility as

required by 5 CFR 537.105. Records, maintained on a fiscal year basis, shall verify the number of employees receiving the loan repayment incentive, the job classification of each recipient, and the total cost of the student loan repayment incentive. Upon request, Components will provide DoD with an annual fiscal year report containing these data.

Program Oversight and Evaluation. The Deputy Assistant Secretary of Defense (Civilian Personnel Policy) (DASD(CPP)) is responsible for the oversight and evaluation of the policy throughout DoD. Each DoD Component shall furnish the DASD(CPP) with a copy of the Component's implementing guidance when issued.

**DEPARTMENT OF DEFENSE
SAMPLE STUDENT LOAN REPAYMENT SERVICE AGREEMENT**

Title 5 USC 5379 allows repayment of outstanding federally insured student loans made by educational institutions or banks and other private lenders as authorized by the Higher Education Act of 1965 and the Public Health Service Act. Student loan repayments are made directly to the lender subject to the conditions stated in this agreement. Use of this authority in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service.

CONDITIONS OF EMPLOYMENT

_____ (COMPONENT) _____ agrees to provide a student loan repayment benefit to:

EMPLOYEE	SOCIAL SECURITY NUMBER	POSITION

subject to the conditions of employment stated in this document.

(STATE CONDITIONS OF EMPLOYMENT SPECIFIC TO EACH AGREEMENT AS DESCRIBED IN 5 CFR 537.107(a) HERE OR ATTACH AS SEPARATE PAGE).

CONDITIONS OF LOAN REPAYMENT

I agree to complete _____ (MINIMUM OF THREE YEARS SERVICE) _____. My period of service begins on _____ (DATE) _____. In return, _____ (COMPONENT) _____ will make payments on my outstanding federally insured loan to:

(LENDER NAME AND ADDRESS)

REPAYMENT AMOUNT	YEARS	TOTAL

Increases or renewals made under this part, not to exceed \$6000 each calendar year up to a lifetime total of \$40,000, (may/may not) be made without requiring a new period of service. If increases or renewals are made, however, the Department of Defense (DoD) Component shall document the changes on a revised service agreement. The DoD Component shall provide the Defense

Finance and Accounting Service (DFAS) with a copy of the amended service agreement to ensure the size and duration of payments to the loan holder are adjusted accordingly.

LOAN REPAYMENT PROCEDURES

DFAS will make payments to the lender on a biweekly basis. It will determine the amount to be paid by dividing the annual repayment amount by the number of pay periods in the year for which payments are made. This usually will be 26 payments per year, except for years having 27 pay periods. In those cases, 27 biweekly payments will be made. The loan repayment amount will be considered as taxable wages and tax withholding will be made on a biweekly basis as appropriate. The Department of Defense is not responsible for any late fees or penalties assessed by loan holders prior to, during, or subsequent to this agreement.

LOSS OF ELIGIBILITY FOR LOAN REPAYMENT BENEFIT

I understand I will no longer be eligible for the loan repayment incentive if I voluntarily end my employment with _____(COMPONENT)_____, fail to maintain an acceptable level of performance (as defined by each DoD Component), or in any way violate the terms of this agreement.

REIMBURSEMENT OF LOAN REPAYMENT BENEFIT

If I am separated from DoD for reasons of misconduct or performance, or if I leave DoD voluntarily before I complete the period of service specified in this agreement, I will reimburse DoD for the entire amount of all loan repayments considered as taxable wages that DoD has made in my behalf.

EMPLOYEE SIGNATURE

DATE

I certify that I have discussed the conditions of the student loan repayment program with this employee.

HRO REPRESENTATIVE SIGNATURE

DATE

"This information is subject to the Privacy Act of 1974, as amended."