



OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D. C. 20301-4000

30 SEP 2004

PERSONNEL AND
READINESS

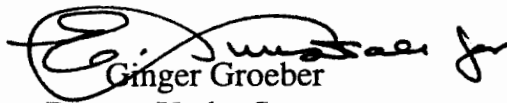
MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Department of Defense (DoD) Student Loan Repayment Program

Section 1123 of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. 108-136), November 23, 2003, and the Federal Employee Student Loan Assistance Act (Pub. L. 108-123), November 11, 2003, amended 5 U.S.C. 5379(b)(2) to increase the maximum amount Federal Agencies are authorized to repay under the Federal student loan repayment program from \$6,000 to \$10,000 per employee for any one calendar year and to increase the aggregate limitation from \$40,000 to \$60,000 for any one employee. The authority provides the Department of Defense with flexibility to attract, develop and maintain a talented, agile civilian workforce to meet the challenges of the 21st century.

The Secretaries of the Military Departments and Heads of Defense Agencies, and DoD Field Activities with independent appointing authority for themselves and their serviced organizations are hereby delegated the authority to approve student loan repayments. These designees may further redelegate this authority to managers and supervisors, and officials managing centralized intern or training programs.

The attached guidance reissues and updates the DoD Student Loan Repayment Plan issued by OASD(FMP) memorandum, October 17, 2001, to incorporate the new payment limitations consistent with the amended provisions of 5 U.S.C. 5379(b)(2). In addition, it provides updated processing procedures for implementing the new Nature of Action (NOA) Code established by the Office of Personnel Management on October 27, 2003, and incorporates the reporting and accountability requirements. The new NOA Code and processing procedures became available for use on June 4, 2004.


Ginger Groeber
Deputy Under Secretary
Civilian Personnel Policy

Attachment:
As stated

Department of Defense
Student Loan Repayment Plan

A. General Information

1. Section 5379 of title 5, United States Code (U.S.C.), 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. Repayment is limited to outstanding federally insured loans made by educational institutions or banks, and other private lenders as made or insured under the Higher Education Act of 1965 and the Public Health Service Act.
2. This guidance replaces the DoD Student Loan Repayment Plan, dated October 17, 2001, issued by the Office of the Assistant Secretary of Defense (FMP) memorandum, to increase the student loan repayment limits, to provide new processing procedures for authorizing loan repayment actions, and to incorporate reporting and accountability requirements. Section 1123 of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. 108-136), November 24, 2003, amended 5 U.S.C. 5379(b)(2) to increase the maximum amount Federal Agencies are authorized to repay under the Federal student loan repayment program from \$6,000 to \$10,000 per employee for any one calendar year. The Federal Employee Student Loan Assistance Act (Pub. L. 108-123), November 11, 2003, previously increased the annual limitation from \$6,000 to \$10,000 per employee in any calendar year and in aggregate limitation from \$40,000 to \$60,000 for any one employee.
3. Designees. Secretaries of the Military Departments and heads of Defense Agencies, and DoD Field Activities with independent appointing authority for themselves and their serviced organizations may approve student loan repayments. These designees may redelegate this authority to managers and supervisors for use in accordance with this guidance. Officials managing centralized intern or training programs may also exercise this authority as determined/authorized by the authorized designee (hereafter referred to as the “loan approving official”).
4. This authority allows DoD Components to use the incentive as part of their workforce reshaping efforts.

5. An authorized management official may offer student loan repayment to facilitate the recruitment or retention of highly qualified employees. Any highly qualified employee in the competitive or excepted service is eligible to receive a student loan repayment, excluding those employees who currently occupy or will occupy a position excepted from the competitive service because of its confidential, policy-determining, policy-making, or policy-advocating character (e.g., employees serving under Schedule C appointments). Student loan repayment incentives may be paid, but are not restricted to, the following employee categories:
 - a. General Schedule employees or equivalent;
 - b. Federal Wage System employees;
 - c. Senior Executive Service members;
 - d. Employees covered by administratively determined pay systems;
 - e. Temporary employees who are serving on appointments leading to conversion to term or permanent appointments;
 - f. Term employees with at least three years left on their appointment;
 - g. Permanent employees (including part-time employees); and
 - h. Employees serving on excepted appointments with conversion to term, career, or career conditional appointments.

When selecting employees to be recipients, an authorized management official will adhere to the merit system principles outlined in 5 U.S.C. 2301(b).

6. DoD Components must update their existing plans for the use of this authority to comply with the new maximum statutory limitations found in 5 U.S.C. 5379. These plans establish criteria that must be met or considered in authorizing the incentive, including criteria for determining the amount of a payment to comply with 5 CFR 537.105.
7. DoD Components may repay more than one loan per employee 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.

B. Approval Procedures

1. The requesting official must prepare a written determination that, in the absence of student loan repayment, the activity would encounter difficulty in filling the position or retaining an employee in that position.

- a. Determinations for recruitment purposes must be made before the employee enters on duty in the position for which loan repayment is authorized. An activity may not use this authority to recruit current Federal employees from other agencies.
 - b. Determinations for retention purposes must be based on the qualifications of the employee or the special need of the activity for the employee's services and an assessment that, in the absence of offering loan repayments, the employee would be likely to leave the Federal service. An activity may not offer to repay a student loan for an employee who is likely to leave for any position in any branch of the Federal government.
2. The requesting official must verify that the employee has a qualifying outstanding student loan before authorizing payment.
3. The requesting official must verify the amount of previous student loan repayments, if any, made by the Department on the recipient's behalf, prior to submitting a student loan agreement for approval.
4. An employee selected to receive the student loan incentive must sign an agreement stating the terms, limitations, or conditions of service, prior to receiving any repayments.
 - a) The minimum service agreement is three years unless the employee is involuntarily separated.
 - b) The service agreement will state the amount of the loan repayment authorized for each year of the recipient's service requirement. The Defense Finance and Accounting Service (DFAS) remits the authorized amount to the lender in biweekly payments prorated over the applicable year of service, starting with the effective date of the employee's service requirement.
 - c) Service requirements begin on the date the employee signs the agreement. Authorized loan-approving officials may extend or renew payments without requiring a new period of service, but must amend service agreements to reflect the extension or renewal of the payments.
 - d) Employees who fail to complete the period of service specified in the service agreement must reimburse the Department for the amount of all benefits received under the existing agreement unless:

(1) the employee is involuntarily separated for reasons other than misconduct or performance, or (2) the employee leaves voluntarily to enter into service in another agency outside of DoD, and reimbursement of DoD is not specified in the employee's service agreement. The debt collection process for continuing employees is outlined in DoD 7000.14-R, Department of Defense Financial Management Regulation (DoDFMR), Volume 8, while that for debtors no longer in Government service is found in DoDFMR, Volume 5.

- e) The employee's debt may be waived, in whole or in part, if the authorized loan-approving official determines that recovery would be against equity and good conscience, or against the public interest.

C. Processing Procedures

1. The requesting official will submit a Request for Personnel Action (RPA) and a copy of the written service agreement to the supporting Human Resources Office (HRO) to initiate the repayment action. These documents must be submitted for each employee at the time the employee is initially authorized to receive the student loan repayment incentive.
2. The RPA will include, at a minimum, the following: the employee's position (title, occupational series, and grade or pay band level); the period of service specified in the service agreement; the repayment amount authorized; the effective date of the agreement; and the mailing address of the loan holder.
3. The supporting HRO will follow Defense Civilian Personnel Data System (DCPDS) processing instructions and submit a Nature of Action (NOA) code 817 to the Dynamics File of the Office of Personnel Management's (OPM) Central Personnel Data File (CPDF) based on the RPA information provided by the approving official. A Notice of Personnel Action (NPA) is not required.
4. The supporting HRO will submit an NOA code 817 for each employee upon the initial authorization of student loan repayment incentives and in any subsequent fiscal year in which payment of the incentives are authorized.

5. The supporting HRO then will transmit the data on the RPA and a copy of the service agreement to the appropriate DFAS payroll office to initiate payments.
6. If the loan-approving official increases, decreases, extends, or renews payments, or otherwise amends the conditions specified in an existing service agreement, whether initially given for recruitment or for retention purposes, the amended service agreement will be sent to the supporting HRO for transmission to DFAS.

D. Payment Procedures

1. DFAS remits the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The incentive is paid biweekly using procedures developed by the appropriate payroll office and is in addition to basic pay or any other form of compensation payable to the employee.
2. Student loan repayments shall not exceed \$10,000 for each full year of the employee's service requirement. DFAS will determine the amount to be paid each pay period by dividing the repayment amount authorized for each full year of the service requirement by the number of pay periods in the year that corresponds to the dates of the employee's yearly service requirement.
3. As an example, if the employee's service agreement is signed, and thus the period of service begins, on July 11 of a given year, the authorized repayment amount will be divided by the number of pay periods required to pay the total amount authorized in the first repayment year by July 10 of the following year. Payments for a \$10,000 annual benefit are calculated as follows:

July 11 - December 31 (12 pay periods at \$384.61)
December 31 - July 10 (14 pay periods at \$384.62)

Generally, there are 26 payments for each year of the employee's service requirement, except for years having 27 pay periods. In such cases, 27 biweekly payments are made.

4. Since the loan repayment amount is considered as taxable wages, the loan holder receives the full amount of the loan repayment and taxes are withheld from the employee's biweekly pay, as appropriate.

5. Loan repayments will not continue for periods of leave without pay that result in no basic pay, including locality payments, due to the employee during a biweekly pay period. The suspension of loan repayments during periods of leave without pay will reduce the employee's total loan repayment incentive unless the authorized loan-approving official extends the service agreement or grants an exception (e.g., employee returns from uniform service or make full recovery from a compensable injury).
6. The Department is not responsible for any late fees or penalties assessed by loan holders prior to, during, or subsequent to this agreement.

E. Documentation

1. Each authorized loan-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 will include verification that the employee's outstanding student loan qualifies for repayment and will contain the written determinations of recipient eligibility as required by 5 CFR 537.105.
2. Each supporting HRO will maintain the data necessary to verify the number of employees receiving the loan repayment incentive, the pay plan, series, grade/band level of each recipient, and the total cost of the student loan repayment incentive for each fiscal year.
3. Data will be maintained in the Defense Civilian Personnel Data System (DCPDS) electronically through the use of NOA code 817. In addition, a copy of the RPA and service agreement will be retained on the left side of the recipient's Official Personnel Folder until such time as the employee separates from the Department.

F. Reporting Requirements

1. The Deputy Under Secretary of Defense (Civilian Personnel Policy) (DUSD(CPP)) is responsible for oversight and evaluation of the policy throughout the Department. Each DoD Component shall furnish the DUSD(CPP) with a copy of implementing guidance when issued or revised.

2. Upon request, DoD Components will provide the Department with fiscal year data on the number of employees receiving the loan repayment incentive, the pay plan, series, grade/band level of each recipient, and the total cost of the student loan repayment incentive.

G. Accountability

Managers and supervisors throughout the Department are responsible for the appropriate use of this authority to support mission requirements. Designees are accountable for the use and oversight of this authority.