

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 consider both equitable treatment and diversity of the workforce.

Student Loan Repayment Offer and 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 official(s) who exercise(s) personnel appointing authority (normally, the head of an installation or activity). Prior to approval, 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 by the DoD Component may not exceed maximum statutory limitations.

Student Loan Repayment Service Agreement. A student loan repayment is made 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. A sample agreement is attached. The DoD Components may use this agreement or develop their own service agreements, providing, as a minimum, the information contained in the sample agreement is covered and that the loan repayment procedures are included without modification.

a. Where appropriate, an approving official may seek an agreement requiring a period of service beyond the statutory minimum. The service requirement begins on the date stated in the agreement. Individuals who fail to complete their agreements must reimburse DoD for the entire amount of all benefits received.

b. Prior to authorizing loan repayments, DoD Components must verify that the employee has a qualifying outstanding student loan or loans. Components may repay more than one loan as long as the payments do not exceed the legally prescribed limits. The DoD Component shall not authorize payments to cover accrued penalties associated with the loan(s).

c. 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. 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. The Defense Finance and Accounting Service (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 the loan holder(s) 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.