

Department of Army Repayment of Student Loans Plan

Title 5, United States Code, §5379 and the Code of Federal Regulations, Part 537, establish the statutory and regulatory authority for the use of student loan repayment as a recruitment or retention tool. This plan provides the parameters for implementing the repayment of student loan incentive within the Department of Army. Repayment is limited to outstanding federally insured loans made by the Higher Education Act of 1965 and the Public Health Service Act.

Authorizing Officials: Authority to approve repayment of student loans is delegated to officials who exercise personnel appointing authority (normally the head of an installation or activity).

Criteria to be Met or Considered:

Written Criteria: For both recruitment bonuses and retention allowances, the manager must justify, in writing, the basis for the loan repayment. The justification should include that in the absence of offering this incentive, the agency would have encountered difficulty in filling the position or that in the absence of the student loan benefit, the employee would likely leave for a position outside the Federal service.

Determination for Recruitment: The manager must decide if a repayment of student loan will be offered and the amount to be paid prior to the candidate entering on duty.

Determination for Retention: In a written statement, the manager must identify the high or unique qualifications or the special needs of the activity for that employee's services and how his/her departure would affect the activity's ability to perform a function necessary to the agency's mission.

Written justifications should be maintained and available for review upon the request of the Office of Personnel Management.

Selecting Employees: The manager shall consider both equitable treatment and diversity of the workforce when selecting employees for this benefit.

Size and Timing of Payment: The maximum payment allowable in one-year is \$6,000.00 with a total of \$40, 000 for a lifetime. Determining the size of the loan repayment should be based on the employee's value to the activity and budgetary considerations.

The Defense Finance and Accounting Service will make payments directly to the loan holders on a biweekly basis. In order to assure the Defense Finance and Accounting Service will be able to make these payments, activities are required to provide them a completed copy of the service agreement.

Procedures for Making Loan Repayments: Payments will be based solely on the outstanding debt at the time the employee and the activity enter into an agreement. Payments cannot be made prior to the employee entering on duty.

The activity is required to verify with the holder of the loan the existence of an outstanding loan and the remaining balance on that loan. Activities can repay more than one loan as long as the loan repayments do not exceed the established limits.

Activities are not responsible for late fees assessed by the lender if the student loan repayment is not received in time. However, activities should, to the extent possible, ensure their payments coincide with the date the loan payment is due.

The employee is responsible for continuing to make loan payments on the portion of the loan for which he/she is responsible and for any income tax obligation resulting from the student loan benefit.

Service Agreement: Prior to any repayment of student loan, an activity must require the employee to sign a service agreement. The service agreement for the Department of Army will entail, at a minimum, a 3-year commitment that commences when the service agreement is signed.

Any increase or renewal of the service agreement may amend the employee's commitment to the activity to a new 3-year period.

Loss of Eligibility for Loan Repayment Benefits: An employee loses entitlement to continued benefits if he/she:

- (1) separates from the agency, or
- (2) does not maintain an acceptable level of competence (employees most recent rating must be at least Fully Successful), or
- (3) violates the conditions of the service agreement.

Employee Reimbursement: An employee who fails to complete the period of employment stated within the service agreement will be indebted to the Federal Government and must reimburse the Department of Defense for the amount of any student loan repayment the employee received.

Failure to complete the period includes if the employee is separated involuntarily on account of misconduct or performance or the employee leaves the activity

voluntarily. The authorizing official may waive all or part of a recovery if he or she feels the recovery would be against equity and good conscience or against the public interest.

Records and Reports: An annual report will be submitted to the Assistant Secretary of the Army, Manpower and Reserve Affairs, Policy and Program Development Division, Benefits and Entitlements Branch each fiscal year. The report will identify when the activity approved the student loan, the number of employees receiving the incentive and the job classification of the employees.

Documentation and Recordkeeping: Each approving official is responsible for ensuring that the basis for any repayment of student loan is documented. Documentation will include evidence of the outstanding loan amount to be paid by this plan. Records may be destroyed after 3 years or after the Office of Personnel Management evaluates the program (whichever comes first).