



DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155



HUMAN RESOURCES

30 DEC 2004

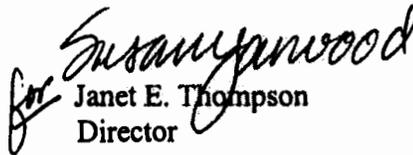
MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Update to WHS Student Loan Repayment Plan

Section 1123 of the National Defense Authorization Act for Fiscal Year 2004 (P.L. 108-136), 11 November 2003, amended 5 U.S.C. 5379(b)(2)(A) to increase the maximum amount Federal Agencies are authorized to repay under the Federal student loan repayment program from \$6,000 to \$10,000 for any one employee per calendar year. The aggregate limitation has also been increased from \$40,000 to \$60,000 for any one employee.

This memo updates the attached WHS Student Loan Repayment Plan, issued by WHS Director memorandum dated March 20, 2002, to increase the annual and aggregate limitations as stated in the above paragraph. This update is effective immediately.

If you have any questions concerning the WHS Plan, please contact Ms. Susan Yarwood, Assistant Director, Personnel Services at (703) 604-6060 or Ms. Lisa Nicholson, Chief, Policy and Programs Division at (703) 604-6080.


for Janet E. Thompson
Director

Attachment:
WHS Student Loan Repayment Plan



DISTRIBUTION:

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DIRECTOR, WASHINGTON HEADQUARTERS SERVICES
CHIEF JUDGE, U.S. COURT OF APPEALS FOR THE ARMED
FORCES**

**Washington Headquarters Services
Student Loan Repayment Plan**

1. References:

- Section 1123, National Defense Authorization Act, FY 2004 (PL 108-136), 11 November 2003
- Title 5, United States Code, Section 5379
- Title 5, Code of Federal Regulations, Part 537
- DoD 7000.14-R, DoD Financial Management Regulation, Volume 8
- The Acting Deputy Assistant Secretary of Defense (Force Management Policy) Memorandum, on Student Loan Repayment Approval, dated October 17, 2001

2. Purpose:

To update this plan by amending 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 increase the aggregate limitation from \$40,000 to \$60,000 for any one employee. This update also documents changes in two WHS directorate names, as well as updates the delegated approving official.

The Washington Headquarters Services (WHS) plan provides the criteria and the general framework to use the student loan repayment program as a recruitment or retention incentive. This incentive is in addition to basic pay and any other forms of compensation payable to employees. The WHS plan provides the parameters for participating in the student loan repayment program for the serviced organizations stated under Section 3. Applicability/Scope.

3. Applicability/Scope:

The WHS plan applies to the Office of the Secretary of Defense (OSD), WHS and other activities that derive administrative support from WHS, Human Resources Directorate (HRD)(formerly, Personnel and Security Directorate). This plan complies with requirements set forth in the DoD Student Loan Repayment Plan. Repayment is limited to outstanding federally insured loans made by educational institutions or banks, and other private lenders, authorized by the Higher Education Act of 1965 and the Public Health Service Act.

4. Policy:

a. Employee Eligibility:

The types of loans that qualify for eligibility are those that are insured or guaranteed under the Higher Education Act of 1965 and the Public Health Service Act. The written documentation should state that, in the absence of student loan

repayment, difficulty would be encountered in filling the position or retaining the highly qualified employee for the specific position. When selecting employees to be recipients, documentation should show adherence to merit system principles. Candidates/employees being considered for the student loan repayment will provide a letter from the loan holder verifying the existence of federally insured loan(s) and the balance remaining on the loan(s) in accordance with the Higher Education Act of 1965 and the Public Health Service Act. This must be submitted to the manager/supervisor for inclusion with the written documentation. When submitting a request for a student loan as a recruitment incentive, the documentation should include the requesting amount to be paid and final approval must be accomplished before the new employee enters on duty. If submitting a request for student loan repayment as a retention incentive, the documentation should state the high or unique qualifications of the employee or the special need of the component for the employee's services, and in the absence of offering loan repayments, that the employee would likely leave the Federal service. The student loan repayment may be offered to highly qualified employees, who meet one of the eligibilities listed below. **Employees who have defaulted on student loans are excluded from this eligibility.**

- Highly qualified temporary employees, serving on appointments leading to conversion to term or permanent appointments
- Highly qualified term employees with at least three years left on their appointment
- Highly qualified permanent employees
- Highly qualified employees on excepted appointments with conversion to term, career or career conditional appointments (including but not limited to Defense Career Intern or Presidential Management Intern appointments). *This does not apply to excepted employees occupying confidential, policy-determining, policy-making or policy advocating positions (i.e., Schedule C appointments).*

b. Approval Authority:

The authority to approve repayment of student loans for individuals GS-15 (or equivalent) and below has been redelegated to the Assistant Director for Personnel Services, HRD, WHS, by the Director Human Resources. (The approval authority for a waiver of repayment is stated in Section 4e. Reimbursement Criteria.) The component may repay more than one loan on behalf of the employee provided the payments do not exceed the legally prescribed limits. The final amount paid and the timing of the payments are administered through allotted budgetary funds established and maintained for each serviced organization. The size of the payment will be determined based on the value of the employee to the component with consideration of how far in advance funds can be committed. Certification of funds availability must be obtained from the organization's servicing Budget Office prior to rendering final approval. (Funds established and maintained for this program for OSD and WHS will be administered by WHS, Financial Management Directorate (FMD)(formerly, Budget and Finance Directorate). Funds for other serviced

organizations will be administered by their respective Budget Offices.) The serviced organization will use its budgetary discretion as to the amount of the repayment benefits each year to be issued on behalf of their employees. The amount paid may not exceed the maximum statutory limitation per calendar year before taxes are withheld. The maximum statutory provision is limited to \$60,000 per employee in accordance with Title 5, CFR 537.106.

c. Student Loan Repayment Service Agreement:

The student loan repayment will be made under the terms, limitations, and conditions of the written service agreement (see Appendix 1) between the component and the employee for a specified period of employment not less than three years. This incentive is in addition to basic pay and any other forms of compensation payable to the employee. The attached service agreement must be used; unless prior approval is granted by the approving authority official to use an alternate service agreement that adheres to the requirements of this plan. Where appropriate, an agreement requiring a period of service beyond the statutory minimum of three years may be necessary to fulfill critical mission requirements. A service agreement may be executed beyond three years of service only when the total of the repayment exceeds the maximum statutory payments allowed for 36 months. The service commitment begins on the date stated in the service agreement and a copy of the service agreement will be provided to Defense Accounting and Finance Center (DFAS). If any amended service agreements are made on behalf of the employee, a copy shall be provided to DFAS and to the servicing Budget Office to ensure that the size and duration of the payments to the loan holder are adjusted and a copy will be placed in the employee's official personnel file (OPF).

Note: If the employee transfers from the originating DoD Component to another DoD Component, the service agreement must be renegotiated.

d. Loan Repayment Procedures:

Prior to entry into the service agreement, the component must verify that the employee has a qualifying student loan that meets one of the federally insured loans authorized by the Higher Education Act of 1965 or the Public Health Service Act. Once the loan repayment has been approved, payments begin at such time the component and the employee enter a service agreement and not before the employee enters on duty. The student loan repayment amount is considered as taxable wages and tax withholdings, to be made on a biweekly basis. Periods of Leave Without Pay (LWOP) may impact these payments. DFAS will make payments to the lender on a biweekly basis and 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. The component or the servicing organization is not responsible for late fees or penalties assessed by the loan holder(s) prior to, during, or subsequent to the effective date of this agreement. The component is not authorized to make payments to cover

accrued penalties associated with the loan(s). The component will report the loan repayment and taxes withheld and paid as required by applicable federal loan and state and local laws.

e. Reimbursement Criteria:

Individuals who fail to complete their service agreements are required to reimburse the component for the entire amount of all benefits received unless involuntarily separated for reasons other than misconduct or performance. Employees who do not complete their period of service under the terms of the component's service agreement are subject to debt collection process, stipulated by DoD 7000.14-R, DoD Financial Management Regulation, Volume 8. (This debt collection would not apply to employees who leave one organization within the component and complete the remaining period of service within one of the organizations stated under Section 3. Applicability/Scope.) Under extraordinary circumstances, the approving official may waive the recovery of an employee's debt, in whole or in part, if the one of the following conditions are met: (1) recovery would be against equity and good conscience; or (2) recovery would go against public interest. Requests for waivers will be thoroughly evaluated on a case-by-case basis for final review and approval by the approving official, the Director for Human Resources, WHS.

f. Documentation and Records:

Each request for a student loan repayment benefit should be maintained and recorded to include written justification of the recipient's eligibility and verification that the employee's outstanding student loan qualifies for repayment in accordance with Title 5, CFR, 537.105. Additionally, documentation needs to be retained on a fiscal year basis to meet OPM's and DoD's annual reporting requirements for this program. To comply with Title 5, CFR, 537.110, the records for each student loan repayment request that are approved or disapproved along with submitting documentation must be retained for a three-year period. This documentation will include: (1) the number of employees receiving the loan repayment incentive; (2) the job classification of each employee selected; and (3) the total costs of the student loan repayment incentive.

5. Responsibilities:

a. WHS, Human Resources Directorate, Personnel Services:

- Advise management on the proper use of the Student Loan Repayment Program.
- Upon receipt of the employee's documentation submitted through the servicing organization, review and forward to the approval authority for final consideration and approval.

- Once approved, begin the first loan repayment on the date that the service agreement goes into effect and initiate these payments as stated in Section 4 d. Loan Repayment Procedures.
- Maintain records of the student loan repayment benefits to include written justification of the recipient's eligibility and verification that the employee's outstanding student loan qualifies for repayment.
- Provide copies of service agreements or amended service agreements to DFAS to monitor the size and duration of the payments to the loan holder and include a copy in the employee's OPF.
- Prepare reports on a fiscal year basis to meet DoD's and OPM's annual reporting requirements to include the number of employees receiving the loan repayment incentive; the job classification of each employee selected; and the total costs of the student loan repayment incentive.

b. Organizations' Budget Offices:

- Administer allotted budgetary funds established and maintained for this program through WHS, Financial Management Directorate for OSD and WHS. Funds for other serviced organizations will be administered by their respective Budget Offices.
- Ascertain the amount of budgetary discretion available to serviced organizations for the amount of the repayment loan benefits each year to be issued on behalf of their employees.
- Retain copies of service agreements or amended service agreements to monitor and evaluate funds and ensure size and duration of the payments to the loan holder are adjusted.
- Proceed with debt collection process, as stipulated by DoD 7000.14-R, DoD Financial Management Regulation, Volume 8, for employees who do not complete their period of service under the terms of the component's service agreement.

c. Managers and Supervisors identified in Section 3:

- Submit written documentation requesting approval of the student loan repayment that meet the requirements stated in this plan to the Administrative Officer for forwarding to the WHS, HRD, for final consideration and approval.

- Obtain from the candidate/employee a letter from the loan holder verifying the existence of, and the balance remaining on the qualifying outstanding loan to include with the written documentation.

**WASHINGTON HEADQUARTERS SERVICES
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 NAME	SOCIAL SECURITY NUMBER	POSITION (TITLE, PP, SERIES, & GRADE)

subject to the conditions of employment stated in this agreement and WHS Plan.

(STATE CONDITIONS OF EMPLOYMENT SPECIFIC TO THIS 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) _____

Loan Account Number: _____. I agree to notify my HR Representative immediately of any changes to the lender identified above in the servicing of my loan i.e., loan consolidation, assumption of loan by another lender, etc.

REPAYMENT AMOUNT	YEARS	TOTAL

Increases or renewals made under this part, not to exceed \$10,000 each calendar year up to a lifetime total of \$60,000, (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

(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. A copy of this Service Agreement will be provided to the servicing Budget Office.

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 DoD 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. I also understand that the loan payments may not continue for periods of leave without pay (LWOP). If LWOP occurs, this can result in loss in loan payment benefits for these periods unless exceptions i.e., returning from uniform service, full recovery from compensable injury, etc... are granted.

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 provided pursuant to the Privacy Act of 1974

AUTHORITY: 5 USC 5379, EO 9397, and NDAA-FY-04, Section 1123.

PRINCIPAL PURPOSE (S): To review, approve, account and disburse funds for Student Loan Repayment. The information collected will be used as a basis for payroll actions.

ROUTINE USE (S): Disclosure of identifiable information, including your Social Security Number, may be used for personnel administration processes.

DISCLOSURE: Voluntary; however, failure to furnish information requested may result in a delay or denial of request for Student Loan Repayment.