



DEPARTMENT OF THE ARMY
NORTHWESTERN DIVISION, CORPS OF ENGINEERS
P.O. BOX 2870
PORTLAND, OREGON 97208-2870

Reply to
Attention of:

CENWD-HR (690-500)

15 JUL 2002

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Delegation and Guidance Policy #1-02 - Repayment of Student Loans

1. Reference CEHR-E Memorandum, undated, subject: Guidance on Repayment of Student Loans.
2. Authority to approve the repayment of a student loan as a recruitment or retention tool is delegated to District Commanders, with Career Program Manager coordination. Within HQ CENWD, authority is delegated to SES positions and the Chief of Staff and may not be redelegated. All loan repayments approved must be adequately documented and adhere to 5 USC Sec 5379, Department of Defense and Department of the Army guidance, as interpreted or restricted by this policy memorandum.
3. Reports for the FY on the use of the student loan repayment incentive will be provided to CENWD-HR, no later than 15 October of each FY. Reporting requirements are as follows:
 - a. Name of employee
 - b. Position Title, Series, and Grade
 - c. Organization
 - d. Dollar amount approved and date of approval
 - e. Basis for approval
4. Repayment of student loans is a change in a condition of employment for bargaining unit employees. Therefore, where appropriate, union representatives must be notified of this change prior to implementation. Labor relations questions should be directed to your servicing CPAC, Labor Relations Specialist.

A handwritten signature in black ink that reads "David A. Fastabend".

DAVID A. FASTABEND
Brigadier General, USA
Commanding

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1. CEHR-E Memo
2. DoD Repayment Plan
3. DA Repayment Plan
4. Qualifying Loans
5. Service Agreement

CENWD-HR

SUBJECT: Delegation and Guidance on Repayment of Student Loans

DISTRIBUTION:

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DIRECTOR, CENWD-CM

DIRECTOR, CENWD-MT

CHIEF OF STAFF, CENWD-DD

CEHR-E (690-500)

MEMORANDUM FOR STAFF PRINCIPALS, HQUSACE, AND
COMMANDERS/DIRECTORS, MAJOR SUBORDINATE COMMANDS AND FIELD
OPERATING ACTIVITIES

SUBJECT: Guidance on Repayment of Student Loans

1. Authority to approve the repayment of a student loan as a recruitment or retention tool is delegated to Commanders/Directors, Major Subordinate Commands (MSCs) and the Engineer Research and Development Center (ERDC), with the authority to delegate to district commanders and laboratory directors. Within HQUSACE, authority is delegated to staff principals occupying General Officer or SES positions and may not be redelegated. Proposals from other HQUSACE staff elements will be forwarded to the Chief of Staff for approval. Proposals to authorize the repayment of student loans in other activities will be forwarded to the next higher level that has delegated authority. All loan repayments approved must be adequately documented and adhere to 5 USC Sec 5379, Department of Defense and Department of the Army guidance, as interpreted or restricted by this policy memorandum.
2. The Office of the Assistant Secretary of Defense authorized the implementation of the Repayment of Student Loans Program, which is provided for in 5 USC Sec. 5379, on 17 October 2001. A copy of the DOD Student Loan Repayment Plan is at enclosure 1. The Department of the Army issued guidance on the repayment of student loans on 26 November 2001 (enclosure 2). Enclosure 3 is a listing of loans that qualify for repayment. Enclosure 4 is a format for the USACE Repayment of Student Loan Service Agreement, which must be completed by the employee and the approving official and provided to the Customer Service Representative (CSR) for forwarding to the Defense Finance and Accounting Service (DFAS). The CSR will also notify DFAS when payments are to stop. A copy of the agreement and any extensions or amendments must be provided to the Civilian Personnel Advisory Center for filing on the left-hand side of the employees Official Personnel Folder along with copies of the loan verification and the manager's justification for authorizing the loan repayment. Periodic reports on the use of the student loan repayment incentive will be required, including an annual report to the Department of the Army.
3. Within USACE, agreements to repay student loans will require the execution of a minimum three-year service agreement and be limited to the statutory annual and lifetime limitations (currently \$6,000 each calendar year up to a lifetime total of \$40,000). Additional service agreements can be executed if conditions justify extending or amending the initial agreement. Each extended or amended service agreement must also be for three years and is subject to the

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CEHR-E (690-500)

SUBJECT: Guidance on Repayment of Student Loans

statutory annual and lifetime limits. An agreement is only valid within the organization of the designated approving official and remains in effect if the employee changes positions within that organization (e.g., MSC, district or laboratory). In these cases, the agreement should be modified as necessary. Except for moves within HQ USACE, if an employee moves to a USACE activity outside the command of the previous approving official, the service agreement automatically terminates. The designated approving official in the gaining USACE activity may approve a new three-year agreement. When a centrally-funded ACTEDS intern has executed a three- year service agreement, and is placed into a USACE position at the end of the intern training period, USACE will honor the existing service agreement for the duration of the service commitment.

4. When an employee moves to another USACE activity, is placed in another Army command as an ACTEDS funded intern graduate, or leaves the command through the DoD Priority Placement Program and the service agreement is terminated, the requirement to reimburse the activity for loan payments already paid is automatically waived. If the employee permanently leaves USACE voluntarily before the three year service requirement is satisfied, USACE must be reimbursed for previously paid loan payments unless the losing activity grants a specific waiver. If the employee is involuntarily separated except for cause, no reimbursement of loan payments is required.

5. The student loan repayment program is not centrally funded. Funds covering the amount of the repayment must come from the same local source as other recruitment and retention incentives. The payroll transaction will charge the employee's appropriate overhead account in CEFMS. New Resource Codes will be established in CEFMS to facilitate payment reporting.

6. Repayment of student loans is a change in a condition of employment for bargaining unit employees. Therefore, where appropriate, union representatives must be notified of this change prior to implementation. Labor relations questions may be directed to Jeannie Hansohn, CEHR-D, on (202) 761-7277.

7. Point of contact for this matter is Anthony L. Johnson, telephone 202-761-5006.

FOR THE COMMANDER:

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SUSAN DUNCAN
Director of Human Resources

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.

**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).

QUALIFYING LOANS FOR REPAYMENT OF STUDENT LOAN INCENTIVE

The Higher Education Act covers three families of loans:

Federal Family Education Loans (FFEL)

- Subsidized Federal Stafford Loans;
- Unsubsidized Federal Stafford Loans;
- Federal Plus Loans; and
- Federal Consolidation Loans;

William D. Ford Direct Loan Programs (Direct Loans)

- Direct Subsidized Stafford Loans;
- Direct Unsubsidized Stafford Loans;
- Direct PLUS Loans;
- Direct Subsidized Consolidation Loans; and
- Direct Unsubsidized Consolidation Loans;

Federal Perkins Loan Program

- National Defense Student Loans (made before July 1, 1972);
- National Direct Student Loans (made between 7/1/72 and 7/1/87);
- Perkins Loans (made after July 1, 1987)

Loans covered under the Public Health Service Act include:

- Loans for Disadvantaged Students (LDS);
- Primary Care Loans (PCL);
- Nursing Student Loans (NSL);
- Health Profession Student Loans (HPSL);
- Health Education Assistance Loans (HEAL).

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.

The _____, U S. Army Corps of Engineers, agrees to provide a student loan repayment benefit to:

EMPLOYEE	SOCIAL SECURITY NUMBER	POSITION SERIES

subject to the conditions of employment stated in this document.

(STATE ANY LOCAL CONDITIONS OF EMPLOYMENT SPECIFIC TO EACH AGREEMENT HERE)

CONDITIONS OF LOAN REPAYMENT

I agree to complete _____ (MINIMUM OF THREE) YEARS SERVICE _____. My period of service begins on _____ and will end on _____. In return, _____ U. S. Army Corps of Engineers will make payments on my outstanding federally insured loan(s) to:

(LENDER(S) NAME, ADDRESS, AND ACCOUNT NUMBER)

REPAYMENT AMOUNT	YEARS	TOTAL

Increases or renewals made under this part not to exceed the statutory limits of \$6000 each calendar year up to a lifetime total of \$40,000 may be made without requiring a new period of service. If increases or renewals are made, however, they shall be documented on a revised service agreement. The Defense Finance and Accounting Service (DFAS) will be provided a copy of this and any amended service agreement to ensure the size and duration of payments to the loan holder(s) are adjusted accordingly.

LOAN REPAYMENT PROCEDURES

DFAS will make payments to the lender on a biweekly basis. The loan repayment amount will be considered as taxable wages and tax withholding will be made on a biweekly basis as appropriate. The employee is responsible for any late fees or penalties assessed by the loan holder(s) 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 the _____, U. S. Army Corps of Engineers, am separated for reasons of misconduct or performance, fail to maintain an acceptable level of performance as documented by a rating of fully successful or equivalent on my latest performance appraisal, or in any way violate the terms of this agreement.

REIMBURSEMENT OF LOAN REPAYMENT BENEFIT

If I voluntarily leave the U. S. Army Corps of Engineers before I complete the period of service specified in this agreement, I will reimburse the entire amount of loan repayments resulting from this agreement considered as taxable wages that have been made on my behalf unless a waiver of repayment is authorized.

EMPLOYEE SIGNATURE

DATE

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

APPROVING OFFICIAL'S SIGNATURE

DATE

Approving Official's Typed Name and Title

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