



DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
1411 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22202-3231

NGB-J1-TNS

3 January 2006

MEMORANDUM FOR HUMAN RESOURCES OFFICERS OF ALL STATES, THE COMMONWEALTH OF PUERTO RICO, THE U.S. VIRGIN ISLANDS, AND THE DISTRICT OF COLUMBIA

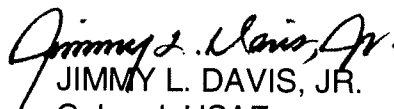
SUBJECT: Student Loan Repayment Program (TN-06-01)

1. This memorandum provides guidance on the provisions and use of the Student Loan Repayment Program to attract and retain highly qualified employees.
2. 5 U.S.C. 5379 authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.
3. The Federal Student Loan Repayment Program permits agencies to repay Federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency.
 - a. Before paying these incentives, an agency is required to establish a plan to describe how the program will be implemented.
 - b. Incentives must be approved by an authorizing official who is at least one level higher than the employee's (or group of employees, if applicable) supervisor unless there is no official at a higher level in chain-of-command.
 - c. Any employee (as defined in 5 U.S.C. 2105) is eligible, except those occupying a position excepted from the competitive civil service because of their confidential, policy-determining, policy-making, or policy-advocating nature.
 - d. A Technician receiving this benefit must sign a service agreement to remain in the service of the paying agency for a period of at least 3 years. An employee must reimburse the paying agency for all benefits received if he or she is separated voluntarily or separated involuntarily for cause or poor performance. In addition, an employee must maintain an acceptable level of performance in order to continue to receive repayment benefits.
 - e. Although the student loan is not forgiven, agencies may make payments to the loan holder of up to a maximum of \$10,000 for an employee in a calendar year and a total of not more than \$60,000 for any one employee. The payment is made directly to the educational institution through DFAS; the employee is not relieved of his/her financial obligation for payment of the loan.
 - f. Each state HRO must submit to NGB TNS an annual report as required by OPM.
 - g. Each state is responsible for determining the feasibility as well as the available funding levels to initiate the use of this initiative.

NGB-J1-TNS

SUBJECT: Student Loan Repayment Program

4. Should you have questions or require additional information regarding the Student Loan Repayment Program contact Yuko Meegan, NGB-J1-TNS at DSN 327-3155, commercial 703-607-3155, or yuko.meegan@ngb.af.mil.



JIMMY L. DAVIS, JR.

Colonel, USAF

Chief, Office of Technician Personnel

Encl

SAMPLE
AGENCY PLAN
FOR
STUDENT LOAN REPAYMENT PROGRAM

PURPOSE

This instruction provides policy and guidance for implementing the Student Loan Repayment Program. This program is intended to facilitate the recruitment and retention of highly-qualified employees by allowing agencies to repay part or all of their Federally insured student loans.

REFERENCES

Title 5, U.S. Code, Section 5379
Title 5, Code of Federal Regulations, Part 537

DEFINITIONS

Student Loan: A loan made, insured, or guaranteed under parts B, D, or E of Title IV of the Higher Education Act of 1965; or a health education assistance loan made or insured under Part A of Title VII of the Public Health Service Act, or under Part E of Title VIII of that Act.

Loans covered under The Higher Education Act include such loans as:

- Federal Stafford Loans -- including Federal subsidized, Federal unsubsidized, direct subsidized, and direct unsubsidized loans;
- Federal Plus Loans -- Federal and Direct Plus Loans;
- Federal Consolidation Loans -- direct subsidized, direct unsubsidized, and Federal Consolidation Loans;
- Defense Loans -- made before July 1, 1972;
- National Direct Student Loans -- made between 7/1/72 and 7/1/87;
- Federal Perkins Loans.

Loans covered under the Public Health Service Act include loans made under:

- The Nursing Student Loan Program;
- The Health Profession Student Loan Program; and
- The Health Education Assistance Loan Program.

Federal Direct Student Loan: The U. S. Department of Education is the lender for these loans. Direct loans include Federal Direct PLUS loans and Federal Direct Stafford loans.

Federal Family Education Loan Program: These loans are insured by the Department of Education. Loans are privately issued by a bank, credit union, or other lender that participates in the Federal Family Education Loan Programs.

Subsidized Loan: The U.S. Government pays the interest on the loan while the student is in school, during the 6-month grace period, and during periods of authorized deferment.

Unsubsidized Loan: The student is responsible for paying the interest accrued while the student is in school, during the 6-month grace period, and during authorized periods of deferment.

COVERAGE

The following are eligible for student loan repayment assistance:

- Permanent employees;
- Employees serving a term appointment with at least 3 years remaining on their appointment;
- Employees serving in excepted appointments with non-competitive conversion to term, career, or career-conditional appointments (e.g., Presidential Management Interns, VRAs, and career interns);
- Temporary employees under 5 CFR 315.704 who are serving on appointments leading to conversion to term or permanent appointments.

NOTE: Employees receiving a physicians' comparability allowance (PCA) under 5 CFR 595.105(e) are eligible. However, the amount of their PCA must be reduced by an amount equal to any loan repayment assistance received under this program.

Employees serving in confidential, policy determining, policymaking, or policy advocating positions (e.g., Schedule C employees) are not eligible.

CRITERIA FOR PAYMENT:

Eligible employees may be considered for loan repayment assistance up to \$10,000 per calendar year, with a \$60,000 lifetime maximum for any individual. More than one loan may be repaid so long as the combined repayments do not exceed these limits. Assistance may be provided for both recruitment and retention purposes. Recommendations will normally be made by the immediate supervisor, and approval will be at the discretion of the next higher level.

Recruitment

Loan repayment may be authorized upon determination that, in the absence of loan repayment benefits, the agency would have difficulty filling a position with a highly qualified candidate. Evidence of need may be based on:

- The success of recent efforts to recruit suitable candidates for similar positions, including such indicators as offer acceptance rates, the proportion of positions filled, and the length of time required to fill positions;
- Recent turnover in the same or similar positions;
- Labor market factors that affect the ability to recruit for similar positions;
- Any special qualifications needed.

This determination must be in writing and must document the criteria used to determine the amount of loan repayment benefits. Managers may consider the following criteria in deciding the amount:

- The severity of the recruiting problem;
- Salary levels reported in published salary surveys for comparable non-Federal positions;
- The importance/criticality of the position to be filled and the effect on the agency if it is not filled or if there is a delay in filling it;
- Current salary of the candidate;
- Salary documented in a competing job offer;
- The disparity in cost of living between the candidate's current residence and the proposed duty station;
- The projected cost of further recruitment effort if the candidate does not accept the position;
- The extent of the individual's past training and experience that serves to qualify him/her for the position;
- Budget availability.

Each determination for recruitment purposes and the amount to be paid must be made before the employee enters on duty.

Retention

Loan repayment may be authorized upon determination that, in the absence of loan repayment benefits, the agency would have difficulty retaining a highly qualified employee. Evidence of need may be based on--

- The unique or high qualifications of the employee or the special need for the employee's services that makes it essential to retain him/her;
- The likelihood the employee would leave for employment outside the Federal service if he/she does not receive loan repayment benefits;
- The extent to which the employee's departure would affect the agency's ability to carry out an activity or perform a function that is deemed essential to the Agency's mission.

This determination must be in writing and must document the criteria used to determine the amount of the loan repayment benefit. Managers may consider the following criteria in deciding the amount:

- Salary levels reported in published salary surveys for comparable non-Federal positions;
- Salary documented in a competing job offer;
- The importance/criticality of the position and the effect on the agency if the employee were to leave;
- The projected cost of recruitment and training associated with replacement of the employee;
- The length of service of the employee with the [agency];
- Budget availability.

Termination of Benefits

An employee receiving loan repayment benefits will be ineligible for continued benefits if he/she--

- Separates from the agency for any reason;
- Fails to maintain a fully satisfactory level of performance; or
- Violates any of the conditions of the service agreement.

SERVICE AGREEMENT

Before any loan repayment may be made, the employee must sign a written agreement to serve a minimum of 3 years with the employing agency, regardless of the amount of repayment authorized. This 3-year period will begin when the first payment is made to the holder of the loan. Any further repayment made after the initial agreement has been completed will extend the service agreement by 1 additional year for each additional payment made. A model service agreement is at attachment 1.

The agreement may specify employment conditions considered appropriate, such as, but not limited to, the employee's position and the duties he/she is expected to perform, work schedule, or level of performance. However, the service agreement in no way constitutes a right, promise, or entitlement to continued employment or noncompetitive conversion to the competitive service, nor does it limit management's right to take corrective or disciplinary actions as otherwise appropriate.

Failure to Complete a Service Agreement

An employee who, voluntarily or because of performance or misconduct, fails to complete the agreed-upon period of service must refund the full amount of benefits received during the initial 3-year period. Employees who fail to complete the period of service under a 1-year extension (e.g., 4th year, 5th year), must repay the amount of the benefits received in the extension year only. If an employee fails to reimburse the agency, the amount outstanding will be recovered from the employee under established debt collection procedures.

Waiver of Repayment

Repayment may be wholly or partially waived at the discretion of the [agency] if recovery would not be in the public interest or would be against equity and good conscience. In making this determination, the [agency] will take into account consistency, fairness, and the cost to the taxpayer of recovering monies owed to the government. A waiver may be considered, but is not automatic, when an employee accepts a position in another operating division of the [agency].

When an employee is separated by death or disability retirement, or is unable to continue working because of disability evidenced by acceptable medical documentation, repayment is automatically waived.

PROCEDURES FOR MAKING LOAN REPAYMENTS

Payments will be made directly to the lending institution holding the loan on behalf of the employee. One payment will be made each year for the duration of the service agreement. Payments may be applied only to indebtedness outstanding at the time the agreement is signed, and no payment may be made before an employee enters on duty.

Loan repayment benefits made under this authority are in addition to basic pay. These benefits are subject to Federal income tax, FICA and Medicare withholding, and any State or local income tax that may be applicable. Tax withholdings will be deducted at the time payment is made.

RESPONSIBILITIES

Employing offices will--

- comply with merit system principles when selecting employees to receive loan repayment benefits and consider the need to maintain a balanced and diverse workforce;
- ensure that their responsibilities under labor relations statutes and union agreements are fulfilled;
- verify that a student loan is Federally insured and eligible to be repaid under this program (see Attachment 2);
- verify the current loan balance at time of entrance on duty and any subsequent extensions of the service agreement (see Attachment 2);
- reach agreement with the holder on terms of payment;
- prepare the written justification for the loan and maintain case files (see Attachment 3); and
- provide information needed to process the reimbursement request to the Program Support Office, Division of Payroll (see Attachment 4).

Servicing Personnel Offices will--

- develop and disseminate policies governing the use of the loan repayment program and provide technical guidance to employing offices concerning its administration;
- maintain a record of each determination made under this authority and retain the record for 3 years (files may be destroyed after 3 years); and
- report annually to the Office of Human Resources the number of employees receiving benefits under this authority, their job classifications, and the amount of benefits.

Employees will--

- be responsible for making loan payments on the portion of the loan that continues to be their responsibility;
 - be responsible for any income tax obligation resulting from the loan repayment benefit.
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**SAMPLE
STUDENT LOAN REPAYMENT PROGRAM SERVICE AGREEMENT**

NAME (Print or Type – First Middle Last)

SOCIAL SECURITY NUMBER [AGENCY COMPONENT]

In consideration of the student loan repayment benefit for which I qualify under 5 U.S.C. 5379 as implemented by the regulations of the U.S. Office of Personnel Management (5 CFR, Part 537), the policies of the [AGENCY], and the _____, I hereby agree:

1. To serve in _____ for 3 years (initial contract) or 1 year (extensions). (AGENCY COMPONENT)
2. The amount of the student loan repayment benefit is \$_____ (up to \$10,000). I understand that the commitment to repay my loan is for one year, subject to yearly extensions.
3. If student loan repayment benefits are made in the 2nd or 3rd year, my service agreement will not be extended.
4. If student loan repayment benefits are made beyond 3 years, my service agreement will be extended by one year for each payment made beyond the 3rd year.
5. The service agreement is effective _____ through .
(Month/Day/Year) (Month/Day/Year)
6. That _____ is authorized to verify the status and outstanding balance of each loan and to discuss the terms with the lender or note holder.
7. This service agreement in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service. That acceptance of this agreement does not alter the conditions or terms of my employment; accordingly, this agreement will not preclude nor limit the Agency from effecting personnel actions as may be appropriate.
8. That in the event I voluntarily leave [AGENCY], or in the event I am involuntarily separated for misconduct or performance before completing the agreed upon period of service, I will be indebted to the Federal Government and must reimburse [AGENCY] for the full amount of any student loan repayment benefits received under this service agreement.
9. I am responsible for making loan payments on the portion of the loan that continues to be my responsibility.
10. The student loan repayment benefits made do not exempt me from my responsibility and/or liability for the loan.
11. I am responsible for any income tax obligation resulting from the student loan repayment benefit.
12. [AGENCY]/_____ is not responsible for any late fees assessed by the lender if the student loan repayment benefit is not received on time.
13. The student loan repayment benefits made on my behalf by [AGENCY] have/will not exceed the maximum amount of \$60,000.

14. Other condition(s) agreed to by employee and the [AGENCY COMPONENT]:

I AGREE TO THE TERMS OF THIS SERVICE AGREEMENT:

Signature _____ Date _____
Name (Print/Type) _____

General

This information is provided pursuant to the Privacy Act of 1974 (P.L. 93-597).

Authority for Collection of Information

5 U.S.C 5379

Purpose and Uses

The main purpose for collecting the information requested on this form is to establish the terms under which an individual receives a student loan repayment benefit under the Student Loan Repayment Program. The information collected will be used as a basis for payroll actions. Accordingly, disclosure of identifiable information, including your Social Security Number (SSN), may be made to the Internal Revenue Service for tax withholding purposes, the Department of Treasury for payroll action, and to the Department of Labor for worker compensation claims. This information may also be disclosed to the Department of Justice for other lawful purposes including law enforcement and in the event of litigation. In addition, these records, or information there from, may also be used within [AGENCY] for study purposes, such as projection of staffing needs, and/or creation of non-identifiable statistical data for reports to other Federal agencies and Congress.

Information Regarding Disclosure of Your Social Security Account Number

Disclosure of the SSN is mandatory since it is the identifier used by the Internal Revenue Service and for the withholding of taxes from your salary. The use of the SSN is necessary because of the large number of present and former employees and applicants who have identical names and birth dates, and whose identities can be distinguished only by the SSN. It is used primarily to identify an employee's personnel, leave, and pay records and to relate on to the other. In this regard, it is also used by the [AGENCY] to locate records in order to respond to lawful requests for information from former employers, educational institutions, and financial or other organizations. The information gathered through the use of the number will be used only as necessary in personnel administration processes carried out in accordance with established regulations and published notices of systems of records. The SSN also will be used for the selection of persons to be included in statistical studies of personnel management matters.

Effect of Non-disclosure

Your submission of this agreement is voluntary; however, if the agreement is submitted, omission of significant information requested would preclude continued processing of the agreement for you to receive an allowance because payroll would be unable to process the necessary actions.

**SAMPLE
STUDENT LOAN REPAYMENT PROGRAM
OUTSTANDING LOAN INFORMATION**

NAME: _____
SSN: _____

The following information is required for each lender of loan(s) being considered under the Student Loan Repayment Program.

1. Loan Information*:

- a. Name of the Federally funded loan received, e.g., Federal Stafford Loan, Federal Plus Loan, Federally Insured Student Loan, etc.;
- b. Date Loan was Obtained;
- c. Remaining Balance of Loan; and
- d. Loan Number.

*An official document/letter by the loan institution providing the above Loan Information must be attached.

2. Name, address, and telephone number for the lending institution holding the loan, e.g. bank, educational institution.

3. Name, address, and telephone number of servicing agent of the loan to whom payments are sent (if different from #2).

4. Name, title, and telephone number of authorized official for the Lending Institution.

5. Federal Tax Identification Number or EIN (Required for sending payments).

SAMPLE
REQUEST FOR STUDENT LOAN REPAYMENT BENEFIT UNDER THE
STUDENT LOAN REPAYMENT PROGRAM
5 U.S.C. 5379

Name

Social Security Number

Title

Series/Grade/Step Type of Appointment

Total Amount of Student Loan Repayment Benefit Received to Date (Include the Requested Amount from this Request Form.)

\$ _____

Student Loan Repayment
Benefit Amount Requested:

\$ _____

Student Loan Repayment Benefit for Year Number: (Circle One)
1 2 3 4 5 6 Other _____

NOTE: Service Agreement must be attached to this Request form.

Current Balance of Outstanding Loan: \$ _____

NOTE: Official Documentation from loan holder documenting loan balance and type of loan must be attached to this Request form.

Compensation:

Base/Locality Pay \$ _____

Other Continuing Pay, e.g., PSP, retention allowance \$ _____

Other Payments, e.g., lump sum payments \$ _____

Student Loan Repayment Benefit Amount \$ _____

TOTAL COMPENSATION \$ _____

Recommending Official Title Date

Certification of Funds

Title

Date

Human Resource Official

Title

Date

Approving Official

Title

Date

Effective Date:

Expiration Date: