

DEPARTMENTAL PERSONNEL MANUAL SYSTEM

---

DPM CHAPTER 537

DATE:

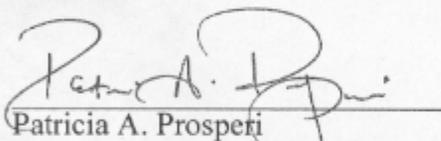
JAN 04 2005

SUBJECT: Repayment of Student Loans

This Chapter replaces all previous DPM Letters and other issuances in the 537 series on Repayment of Student Loans, and is effective immediately.

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. The program implements 5 U.S.C. 5379 (h)(i), which authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.

This Chapter establishes the Department of Transportation's policy with regard to repayment of student loans. It is based upon and conforms to the requirements and policy set forth in 5 U.S.C. 5379 (h)(i), as amended, and the Office of Personnel Management implementing regulations in 5 CFR 537.110 (b). This chapter is to be used in conjunction with these references.



Patricia A. Prosperi

Director, Departmental Office of Human Resource Management

---

**Filing Instructions:** Replaces all Chapter 537 Letters and other issuances

**Distribution:** Human Resource Council Members

**OPI:** OST/M-15/Deborah Perkins/202-366-9447

# DEPARTMENTAL PERSONNEL MANUAL 537

## REPAYMENT OF STUDENT LOANS

### Section 1. GENERAL INFORMATION

- Coverage
- Authority and References
- Purpose
- Delegation of Authority
- Definitions
- Eligibility

### Section 2. STUDENT LOAN REPAYMENT POLICY

- Criteria
- Amount of Loan Repayment Authorized
- Conditions for Payment
- Tax Withholdings
- Termination of Benefits
- Service Agreement
- Failure to Complete a Service Agreement
- Waiver of Repayment
- Records

Attachment 1	Sample Service Agreement
Attachment 2	Outstanding Loan Information

## SECTION 1. GENERAL INFORMATION

### Coverage

This DPM contains the basic requirements governing the repayment of student loans for applicants and employees in the U.S. Department of Transportation (DOT).

### Authority and References

This chapter is based upon and conforms to the requirements and policy set forth in 5 U.S.C. 5379, as amended, and Office of Personnel Management implementing regulations in 5 CFR 537. This chapter provides guidance for implementing these references in DOT and must be read in conjunction with these references.

### Purpose

- a. The authority to repay student loans is one of several flexibilities available to agencies to attract individuals to the Federal Service, or to retain highly qualified employees in the Federal Service. Operating administrations are encouraged to consider using the student loan repayment program as a tool to manage their workforce strategically.
- b. Student loan repayment benefits may not be used to retain employees who otherwise would leave for other Federal agencies. Operating administrations should not use student loan repayment benefits as an incentive to recruit employees from other Federal agencies.

### Delegation of Authority

- a. The authority to administer the student loan repayment program is delegated to Heads of Operating Administrations and to the Assistant Secretary for Administration for the Office of the Secretary (OST). These officials are responsible for ensuring that decisions related to the program are made in accordance with the guidance set forth in this chapter, as well as applicable law and regulation.
- b. The authority delegated in paragraph a. may be further redelegated as these officials determine appropriate.

### Definitions

*Service Agreement:* A written agreement between an agency and an employee under which the employee agrees to a specified period of employment with the agency of not less than 3 years, in return for payments toward a student loan previously taken out by the employee.

*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.

Loan repayments may only be made with respect to tuition paid to a college or university accredited by a nationally recognized accrediting agency or association, as identified by the U.S. Department of Education.

Loans made or insured under The Higher Education Act of 1965 include the following:

- Federal Family Education Loans (FFEL)
  - Subsidized Federal Stafford Loans
  - Unsubsidized Federal Stafford Loans
  - Federal PLUS Loans
  - Federal Consolidation Loans
- William D. Ford Direct Loan Program (Direct Loans)
  - Direct Subsidized Stafford Loans
  - Direct Unsubsidized Stafford Loans
  - Direct PLUS Loans
  - Direct Subsidized Consolidation Loans
  - Direct Unsubsidized Consolidation Loans
- Federal Perkins Loan Program
  - National Defense Student Loans (made before July 1, 1972)
  - National Direct Student Loans (made between July 1, 1972, and July 1, 1987)
  - Perkins Loans (made after July 1, 1987)

Loans made or insured under the Public Health Service Act include the following:

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

### Eligibility

a. 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 Fellows, VRAs, and employees in the Federal Career Intern Program);
  - Temporary employees who are serving in appointments leading to conversion to term or permanent appointments.
- b. Ineligible: Employees serving in confidential, policy determining, policymaking, or policy advocating positions (i.e., Schedule C employees) are not eligible.

## Section 2. STUDENT LOAN REPAYMENT POLICY

### Criteria

- a. Loan repayments must be based on a written determination that, in the absence of offering loan repayment benefits, it would be difficult to either fill the position with a highly qualified candidate (if a recruitment action), or retain a highly qualified employee in the position (if a retention action). This determination must include a description of the extent to which the candidate's declination of a job offer, or the departure of a current employee, would affect the operating administration's or OST's ability to carry out an activity, perform an essential function, or otherwise meet an essential mission need.
- b. The determination whether to repay a student loan is at the discretion of management, and the official(s) delegated authority to make such a determination. Applicants/employees have no entitlement to loan repayment.
- c. Each determination for recruitment purposes (including the amount to be paid) must be made, and a written service agreement signed, before the candidate actually enters on duty in the position for which he or she was recruited.
- d. Payments authorized in order to retain a current employee must be based upon a written determination that the high or unique qualifications of the employee, or a special need of the operating administration or OST for the employee's services, makes it essential to retain the employee, and that in the absence of offering student loan repayment benefits, the employee would be likely to leave Federal service.
- e. Operating administrations and OST must develop written criteria for granting student loan repayments, consistent with applicable law and regulations. These criteria may stipulate occupations, grade levels, geographic areas, licenses, certifications, degrees, special experience, or other appropriate criteria.
- f. Management officials must adhere to merit system principles and take into consideration the need to maintain a balanced workforce in which women and members of minority groups are appropriately represented in Federal service.

### Amount of Loan Repayment Authorized

Operating administrations and OST may determine the amount of student loan repayments, subject to current legal and regulatory limits.

### Conditions for Payment

- a. The candidate or employee must sign a mandatory service agreement. A sample agreement is provided in Attachment 1.
- b. The candidate/employee must provide the operating administration or OST with the information about his/her outstanding student loans as provided in Attachment 2.
- c. The amount and frequency of payments will be at the discretion of the operating administration or OST, subject to the limitations contained in law and regulation. Payment conditions must be mutually agreed to, in writing, by the operating administration or OST and the candidate or employee.
- d. Payments may be applied only to the indebtedness outstanding at the time the agency and the candidate or employee enter into the service agreement, and in the case of a candidate for employment, may not begin before the candidate enters on duty.
- e. Student loan repayment benefits are in addition to basic pay and any other form of compensation otherwise payable to the employee.
- f. Operating administrations and OST should establish internal annual review and re-certification procedures, e.g., with regards to funds availability.

### Tax Withholdings

- a. Tax withholdings must be deducted or applied at the time any payment is made. Tax withholdings may not be spread out over time.
- b. Since tax implications could create a financial hardship for the recipient of the repayment benefit, operating administrations and OST should consider alternatives to repayment in a lump sum, such as spreading loan repayments over periodic intervals.
- c. Each operating administration and OST is responsible for coordinating student loan repayments with its servicing payroll office to ensure that appropriate withholding requirements are met in a manner consistent with law and regulation.

### 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 (or equivalent) level of performance; or
- violates any of the conditions of the service agreement.

### Service Agreement

- a. Before any loan repayment may be made, the candidate or employee must sign a written agreement to serve a minimum of 3 years with the operating administration or OST, regardless of the amount of repayment authorized. Operating administrations and OST have the authority to establish a mandatory period of more than 3 years, and if they do so, they shall document their basis for determining the length of service to be required.
- b. The Sample Service Agreement contained in Attachment 1 may be modified, provided the service agreement executed by the operating administration or OST is consistent with applicable law and regulations, and this Departmental policy.
- c. Any further repayment made after the initial agreement has been completed will extend the service agreement by one additional year for each additional payment made.
- d. 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

- a. 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.
- b. 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.
- c. 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

- a. Repayment may be wholly or partially waived at the discretion of the operating administration or OST if recovery would not be in the public interest or would be against equity and good conscience. In making this determination, the operating administration or OST will take into account consistency, fairness, and the cost to the taxpayer of recovering monies owed to the government.
- b. A waiver may be considered, but is not automatic, when an employee: 1. accepts a position in another operating administration of DOT ; 2. transfers from a position in an operating administration to one in OST; or 3. transfers from a position in OST to one in an operating administration.
- c. When an employee is separated by death or disability retirement, or is unable to continue working because of disability evidenced by medical documentation acceptable to the approving official, repayment is automatically waived.

### Records

Operating administrations and OST are responsible for keeping records sufficient to allow reconstruction of the action taken in each case when an employee is considered for the student loan repayment benefit, and for complying with the statutory and regulatory reporting requirements.

**SAMPLE  
STUDENT LOAN REPAYMENT PROGRAM SERVICE AGREEMENT**

NAME:

SSN:

In consideration of the student loan repayment benefits for which I qualify under 5 USC 5379, as amended, as implemented by the regulations of the U.S. Office of Personnel Management (5 CFR Part 537), the U.S. Department of Transportation and the [OPERATING ADMINISTRATION or OFFICE OF THE SECRETARY (OST)], I hereby agree:

1. To serve in [OPERATING ADMINISTRATION or OST] for \_\_\_ years.
2. The amount of the student loan is \$ [up to maximum allowable]. 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 2<sup>nd</sup> and 3<sup>rd</sup> year, my service agreement will not be extended beyond the 3<sup>rd</sup> year.
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 3<sup>rd</sup> year.
5. The service agreement is effective [DATE] through [DATE]. The service requirement may not begin before the service agreement is signed.
6. That [OPERATING ADMINISTRATION or OST] 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 non-competitive conversion to the competitive service. That acceptance of this agreement does not alter the conditions or terms of employment; accordingly, this agreement will not preclude nor limit the [OPERATING ADMINISTRATION or OST] from effecting personnel actions as appropriate.
8. That in the event I voluntarily leave [OPERATING ADMINISTRATION or OST], 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 [OPERATING ADMINISTRATION or OST] 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 obligations resulting from the student loan repayment benefit.
12. [OPERATING ADMINISTRATION or OST] 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 [OPERATING ADMINISTRATION or OST] have/will not exceed the maximum amount of [maximum allowable].
14. Other condition(s) agreed to by the employee and the [OPERATING ADMINISTRATION or OST]:

---

---

---

**I AGREE TO THE TERMS OF THIS SERVICE AGREEMENT**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name (Print/Type) \_\_\_\_\_

**General**

**[PRIVACY ACT STATEMENT TO FOLLOW]**

**SAMPLE**

**STUDENT LOAN REPAYMENT PROGRAM  
OUTSTANDING LOAN INFORMATION**

NAME:

SSN:

- 1) The following information is required for each lender of loan(s) being considered under the Student Loan Repayment Program.
- 2) 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.
- 3) Name, address, and telephone number for the lending institution holding the loan, e.g., bank, educational institution.
- 4) Name, address, and telephone number of servicing agent of the loan to whom payments are sent (if different from #2).
- 5) Name, title, and telephone number of authorized official for the Lending Institution.
- 6) Federal Tax Identification Number or EIN (required for sending payments).

\_\_\_\_ -- \_\_\_\_\_