

November 7, 2001

PERSONNEL BULLETIN NO.02-4

(537)

SUBJECT: Departmental Policy on the Student Loan Repayment Benefit Plan

1. This bulletin establishes the Department of the Interior's (DOI) policy on the repayment of federally insured student loans when necessary to recruit or retain highly qualified employees.

2. Authorities. Title 5, United States Code (U.S.C.) section 5379 and title 5, Code of Federal Regulations (CFR) Part 537.

3. Introduction: Public Law 101-510 (National Defense Authorization Act for Fiscal Year 1991) amended title 5, U.S.C. by adding section 5379 which established the statutory authority for repayment of student loans. This policy implements the provisions of 5 U.S.C. 5379, as amended by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001. Upon issuance, DOI bureaus and equivalent organizations may use this policy as authority for the repayment of student loans. The benefit is limited to outstanding federally insured or guaranteed loans, as defined in 5 CFR 537.102, made by higher education institutions or banks and other private lenders as authorized by the Higher Education Act of 1965 and the Public Health Service Act.

4. Policy. A bureau or equivalent organization may offer a student loan repayment benefit to facilitate the recruitment or retention of highly qualified employees who meet the eligibility criteria established in 5 CFR 537.104. Employee has the meaning given in 5 U.S.C. 2105, except employees serving under Schedule C appointments are not covered by this policy. Employees who have defaulted on student loans are not eligible for the incentive until the loan is removed from default. The amount paid by the bureau or office is subject to a maximum limit of \$6,000 per employee per calendar year and a lifetime total of \$40,000 per employee.

a. Approving Officials.

(1) Decisions to approve or disapprove a student loan repayment benefit for employees in the Immediate Office of the Secretary and in the Office of the Secretary will be made by the Assistant Secretary - Policy, Management and Budget (PMB). Requests will be submitted through the appropriate Assistant Secretary or equivalent official to the Assistant Secretary - PMB. This authority may be re-delegated at the discretion of the Assistant Secretary - PMB.

(2) Except for employees covered by paragraph, 4a(1) above, decisions to approve or disapprove a student loan repayment benefit will be made no lower than the heads of bureaus or equivalent organizations. With their Assistant Secretary's approval, a bureau or equivalent organization head may re-delegate approval authority to an appropriate official(s), no lower than two supervisory levels below the bureau or equivalent organization head.

(3) All delegations of approval will be made in writing. Copies of delegations will be forwarded to the Office of Personnel Policy within two weeks of the date of the delegation.

(4) At this point, and throughout the remainder of this Personnel Bulletin, the terms **Abureau@** and **Abureau head@** also refer to organizations and heads of organizations that are equivalent to a bureau, e.g., Office of the Solicitor.

b. Criteria for Payment. The following criteria must be met or considered in authorizing a student loan repayment benefit.

(1) Recruitment. A student loan repayment benefit may be paid provided there is a written determination by the approving official that, in the absence of such a benefit, the bureau would encounter difficulty in filling the position with a highly qualified candidate. Determinations for recruitment purposes must be made before the employee actually enters on duty in the position for

which he or she was recruited.

(2) Retention. A student loan repayment benefit may be paid provided there is a written determination that the high or unique qualifications of the employee or special need of the bureau 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 for employment outside the federal service. This determination must be based on a written description of the extent to which the employee's departure would affect the bureau's ability to carry out an activity or perform a function essential to its mission.

(3) Selecting Employees. When selecting employees to receive loan repayment benefits, bureaus 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 the Government service. Bureaus will establish oversight and accountability procedures to assess and ensure adherence to these requirements.

c. Service Agreement. A student loan repaid under 5 CFR 537.106 will be in accordance with the terms, limitations and conditions of a written service agreement between the bureau and employee. The benefit paid will be in addition to basic pay and any other form of compensation payable to the employee. A sample agreement is at Appendix A.

(1) The minimum period for continued service under 5 U.S.C. 5379 is three years. Where appropriate, an approving official may seek agreements requiring a period of service beyond three years. The service requirement begins when the bureau makes the first payment to the holder of the loan. Individuals must reimburse the bureau for the gross amount of the student loan repayment benefit paid under the agreement if their employment with DOI terminates before completing the period of employment specified in the service agreement because:

(a) They are separated involuntarily on account of misconduct or performance, or

(b) They leave the agency (DOI) voluntarily except in cases where they leave to accept employment in another federal agency and the service agreement does not stipulate that repayment is required in such cases (see paragraph c(4), below).

(2) Prior to authorizing loan repayments, bureaus must verify with the holder of the loan that the employee has an outstanding student loan that qualifies for repayment under this policy. The remaining balance will be verified to ensure the loans are not overpaid. Further, since it is DOI's policy to pay the net amount to the loan holder, the entire loan repayment schedule must be determined using the loan balance at the time of the initial agreement, and not the loan balances existing in subsequent years, in order to avoid an overpayment.

For example, if the loan balance at the time of the initial agreement is \$6,000, then the maximum amount that can be authorized is \$6,000. In accordance with DOI policy, the net amount of approximately \$4,000 would be disbursed to the loan holder. A subsequent year's verification of the loan balance would give the appearance that a \$2,000 balance remained for which a loan repayment could be disbursed in the 2nd year. This would be incorrect.

The full amount authorized, \$6,000, has already been disbursed, although only the net amount was applied to the outstanding balance of the loan. For this reason, the schedule of payments must be determined from the loan balance at the time of the initial loan repayment authorization and not from subsequent year balances. This verification and a schedule of payments will be included in the service agreement. Bureaus may repay more than one loan as long as the payments do not exceed the legally prescribed limits.

(3) An employee receiving loan repayment benefits will be ineligible for continued benefits if the

employee:

(a) Separates from DOI; or

(b) Does not maintain an acceptable level of performance, as determined under standards and procedures prescribed for DOI; or

(c) Violates any of the conditions of the service agreement.

(4) If an employee leaves DOI voluntarily to enter the service of another federal agency before completing the service requirement, he/she will not be required to repay the loan repayments made on his/her behalf unless such repayment is otherwise specified in the service agreement. If the service agreement does not require repayment, the losing bureau will contact the gaining federal agency and inform that agency of the employee's continued service requirement and coordinate repayment procedures with them if that employee leaves federal service before completing the remaining service.

(5) Employees receiving loan repayment benefits must agree to make loan repayments on the portion of the loan(s) that continues to be their responsibility. The service agreement must state that failure to make their loan repayments terminates eligibility for further loan repayment benefits.

(6) Loan payments made for periods of service that are not completed in accordance with individual service agreements are subject to DOI's debt collection process. Collection will be accomplished in accordance with the Department's regulations for collections by offset from an indebted Government employee under 5 U.S.C. 5514 and 5 CFR 550, subpart K. The repayment may be waived, in whole or in part, by Assistant Secretaries, or officials they have authorized to waive debt recovery, when recovery would be against equity and good conscience or against the public interest.

(7) Employing bureaus are responsible for monitoring employees' periods of service requirements and taking action to recoup the amount of the loan repayments in the event an employee leaves DOI before fulfilling his/her service requirement. If an employee's student loan repayment benefits are terminated because he/she moves, within DOI, to another bureau before completing the period of service requirement, the losing bureau will inform the gaining bureau of the employee's remaining service requirement. The gaining bureau will monitor the employee's service requirement and take action to recoup the amount of the loan repayment if the employee terminates his/her employment with DOI prior to completing the service requirement. Money recouped by the employing bureau will be transferred to the bureau that disbursed the student loan repayments.

d. Payment Procedures.

(1) The National Business Center's Payroll Operations Division will disburse payment to the loan holder on an annual basis following written authorization from the approving official. Approving officials will send a separate written authorization in each year that such disbursement is authorized. The written authorization will specify the gross amount authorized to be disbursed to each lender. The total amount authorized will not exceed \$6,000 per year. The authorization letter will also include the name and address of the lender and other information provided by the lender necessary to process the loan repayment e.g., loan number. The loan repayment amount disbursed to the lender will be the net amount after all taxes and other assessments have been withheld. DOI is not responsible for any late fees assessed by the loan holder.

(2) Alternate payment procedures must comply with 5 CFR 537.106, must be included in the service agreement and requires the prior approval of the Chief, Payroll Operations Division, National Business Center and the Director, Office of

Personnel Policy.

e. Documentation and Records. The Department's Human Resource Management (HRM) Strategic Plan has a focus area dedicated to "enhancing a quality workplace and competitive benefits." Use of the student loan repayment benefit program is a positive indicator of program performance in that area. Bureaus should track usage in their HR accountability systems and encourage their use.

Further, each designated approving official is responsible for ensuring that the basis for any student loan repayment benefit is documented in accordance with 5 CFR, Part 537 and this policy. Documentation shall be available for review and submission upon request. In addition, as prescribed by the Office of Personnel Management, each bureau shall compile and report annually, through the Office of Personnel Policy, the following information:

- (1) The number of employees selected to receive this benefit;
- (2) The cost to the federal government for providing benefits under this plan; and
- (3) The job classifications of the employees selected to receive loan repayment benefits.

f. Program Oversight and Evaluation. Heads of Bureaus will review the use and effectiveness of the student loan repayment authority at least annually. The results of such reviews will be made available upon request. A copy of any implementing guidance established by a bureau will be forwarded to the Office of Personnel Policy.

5. The Department office of primary responsibility is the Staffing, Classification and Career Management Division, Mail Stop (MS) 5221, MIB.

/S/
Carolyn Cohen
Director, Office of Personnel Policy