



DoD INSTRUCTION 1400.25, VOLUME 537

DoD CIVILIAN PERSONNEL MANAGEMENT SYSTEM: STUDENT LOAN REPAYMENT

Originating Component: Office of the Under Secretary of Defense for Personnel and Readiness

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Incorporates and Cancels: Deputy Under Secretary of Defense for Civilian Personnel Policy Memorandum, "Department of Defense (DoD) Student Loan Repayment Program," September 30, 2004

Approved by: Matthew P. Donovan, Under Secretary of Defense for Personnel and Readiness

Purpose: This issuance is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive 5124.02:

- This instruction establishes and implements policy, establishes procedures, provides guidelines and model programs, delegates authority, and assigns responsibilities regarding civilian personnel management within the DoD.
- This volume establishes policy, delegates authority, assigns responsibilities, and authorizes the use of the student loan repayment program, in accordance with DoD Directive 1400.25.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

This volume applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint 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 the DoD (referred to collectively in this issuance as the “DoD Components”).

1.2. POLICY.

It is DoD policy that:

- a. Student loan repayment incentives authorized by this volume will be consistent with the requirements of Section 5379 of Title 5, United States Code (U.S.C.), and Part 537 of Title 5, Code of Federal Regulations (CFR).
- b. Incentives will be used only as needed to meet mission-based workforce requirements and only when supported by systematic business analyses. DoD Component heads will maintain appropriate documentation, as described in Part 537.106 of Title 5, CFR, to demonstrate that the systematic business analysis was conducted and approved.
- c. Use of the student loan repayment program will be fiscally prudent and each incentive must be considered in the context of the total remuneration provided to the affected employee.
- d. Student loan repayment is not part of an employee’s rate of basic pay for any purpose, but is taxable income and is subject to tax withholding.
- e. Student loan repayments made on behalf of an employee are not subject to the aggregate limitation on pay pursuant to Section 5307 of Title 5, U.S.C.

1.3. INFORMATION COLLECTIONS.

The student loan repayment benefits written determination, request for personnel action (RPA), and service agreement, referred to in Paragraphs 5.1.g. and 5.1.h. of this volume, do not require licensing with a report control symbol in accordance with Paragraph 13 of Volume 1 of DoD Manual 8910.01.

SECTION 2: RESPONSIBILITIES

2.1. ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS.

Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness, the Assistant Secretary of Defense for Manpower and Reserve Affairs has overall responsibility for the development of civilian personnel policy covered by this volume.

2.2. DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY.

Under the authority, direction, and control of the Assistant Secretary of Defense for Manpower and Reserve Affairs, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy supports the development of civilian personnel policy covered by this volume and monitors its execution by DoD Components, ensuring consistent implementation and continuous application throughout the DoD.

2.3. DIRECTOR, DEPARTMENT OF DEFENSE HUMAN RESOURCES ACTIVITY.

Under the authority, direction and control of the Under Secretary of Defense for Personnel and Readiness, the Director, Department of Defense Human Resources Activity, provides support to the Deputy Assistant Secretary of Defense for Civilian Personnel Policy, as appropriate, in execution of the duties and responsibilities of this volume.

2.4. DOD COMPONENT HEADS WITH INDEPENDENT APPOINTING AUTHORITY.

The DoD Component heads with independent appointing authority:

a. Prior to providing student loan repayment benefits, develop a plan that meets the requirements of Section 537.103 of Title 5, CFR. The plan must be designed to appropriately and effectively use these compensation authorities to support mission requirements and to conform to merit system principles.

b. Assess the usage of the student loan repayment program incentives, including periodic reviews to ensure payments comply with established guidance and criteria and with fiscal responsibility.

c. Direct adjustments in delegations of authority, provide guidance, or take other actions as warranted by the outcome of periodic reviews.

SECTION 3: BASIC REQUIREMENTS

a. Pursuant to Section 5379 of Title 5, U.S.C., and Part 537 of Title 5, CFR, an authorized management official (AMO) may approve a student loan repayment to facilitate the recruitment or retention of highly qualified employees.

b. Any highly qualified employee in the competitive or excepted service is eligible to receive a student loan repayment, excluding employees who currently occupy or will occupy a position excepted from the competitive service because of its confidential, policy-determining, policy-making, or policy-advocating character (e.g., employees serving under Schedule C appointments). Student loan repayment incentives may be paid to, but are not restricted to, the following employee categories:

- (1) General Schedule employees or equivalent.
- (2) Federal Wage System employees.
- (3) Senior Executive Service members.
- (4) Employees covered by administratively determined pay systems.
- (5) Temporary employees who are serving on appointments leading to conversion to term or permanent appointments.
- (6) Permanent employees (including part-time employees).
- (7) Employees serving on excepted appointments with the potential of conversion to term, career, or career-conditional appointments.

c. Before extending an offer of student loan repayment, the AMO must prepare a written determination that, in the absence of student loan repayment, the activity would encounter difficulty in filling the position or retaining an employee in such position and, for current employees, that such employee's departure would adversely affect the agency's ability to carry out an activity or perform a mission that is essential to the agency's mission.

(1) Determinations for recruitment purposes must be made before the employee enters on duty in the position for which the loan repayment is authorized. A DoD Component must not use this authority to recruit current federal employees from other agencies.

(2) Determinations for retention purposes must be based on the qualifications of the employee or the special need of the activity for the employee's services and an assessment sufficient to establish that, in the absence of offering loan repayments, the employee otherwise is likely to leave the federal service (e.g., employee receives an offer of employment from a private firm). A DoD Component may not offer to repay a student loan for an employee who is likely to leave for any position in any branch of the Federal Government.

d. The AMO must verify with the holder of the loan that the employee has a qualifying outstanding student loan before authorizing payment. Repayment is limited to outstanding student loans, as described in Section 537.106 of Title 5, CFR.

e. Pursuant to Section 5379 of Title 5, U.S.C., there is an annual limitation of \$10,000 in student loan repayments for any employee in any calendar year and an aggregate limitation of \$60,000 for any one employee. The AMO must verify the amount of previous student loan repayments, if any, made by the recipient or by the DoD on the recipient's behalf, before approving a student loan agreement.

f. DoD Components may repay more than one loan per employee as long as the payments do not exceed the legally prescribed limits; payments to cover accrued penalties associated with any loans must not be authorized.

SECTION 4: SERVICE AGREEMENT

a. The minimum service agreement period is 3 years.

b. The service agreement must state the amount of the loan payment authorized for each year of the recipient's service requirement, the frequency of payments (e.g., biweekly, periodic, or lump sum), and the manner in which appropriate tax withholdings will be deducted or applied at the time payment is made. The servicing payroll office remits the authorized amount to the lender with the effective date of the employee's service requirement.

c. Service requirements begin on the date specified in the service agreement. The service requirement cannot begin earlier than the date the service agreement is signed or earlier than the date the individual begins serving in the position for which he or she was recruited (when student loan repayment benefits are approved to recruit a job candidate to fill an agency position). AMOs may extend or renew payments without requiring a new period of service but must amend service agreements to reflect the extension or renewal of the payments.

d. Periods of leave without pay and other periods of time not in a pay status do not count towards the completion of the required service period.

(1) Except as provided in Paragraph 4.d.(2), the required service period must be extended by the total amount of time spent in a non-pay status.

(2) In accordance with Section 537.107 of Title 5, CFR, absence because of uniformed service or compensable injury is considered creditable toward the required service period upon reemployment.

e. Employees who fail to complete the period of service specified in the service agreement are indebted to the DoD for the amount of all benefits received under the existing agreement, unless the employee is separated involuntarily for reasons other than misconduct.

f. The service agreement must state the employee will be required to reimburse the DoD for the student loan repayment benefits if he or she voluntarily separates from the DoD to work for another federal agency before the end of the service period.

SECTION 5: PAYMENT

5.1. PAYMENT PROCEDURES.

a. An employee selected to receive the student loan repayment incentive must sign an agreement stating the terms, limitations, or conditions of service before receiving any repayments.

b. The AMO must submit a Standard Form (SF) 52, "Request for Personnel Action," (RPA) and a copy of the written service agreement to the servicing human resources office to begin the repayment action. The AMO must submit these documents for each employee at the time the employee is initially authorized to receive the student loan repayment incentive.

(1) The RPA must include, at a minimum:

- (a) The employee's position (title, occupational series, and grade or pay band level).
- (b) The period of service specified in the service agreement.
- (c) The loan payment amount authorized and terms of payment (e.g., biweekly, periodic, lump sum.)
- (d) The effective date of the agreement.
- (e) The mailing address of the loan holder.
- (f) A Nature of Action Code 817.

(2) The servicing human resources office must submit the RPA to the Dynamics File of the Office of Personnel Management's Central Personnel Data File for each employee upon initial authorization and year thereafter payment is made. The servicing human resources office must transmit an SF-50, "Notification of Personnel Action," and copy of the service agreement to the appropriate servicing payroll office to begin payments.

(3) If the AMO increases, decreases, extends, or renews payments or otherwise amends the conditions specified in an existing service agreement, whether initially given for recruitment or for retention purposes, the amended service agreement must be sent to the servicing human resources office for transmission to the servicing payroll office.

c. The servicing payroll office remits the net student loan payment directly to the lender under the terms, limitations, and conditions of the written service agreement. The incentive is in addition to basic pay or any other form of compensation payable to the employee.

d. The loan repayment amount is considered taxable wages. The loan holder receives the net amount of the loan payment. Appropriate tax withholdings must be deducted or applied at the time any payment is made, in the manner specified in the service agreement. Options include withholding taxes from the employee's pay with biweekly or periodic payments, collecting a

check from the employee to cover the tax liability, or deducting the taxes to be withheld from the student loan repayment before the balance is issued as a loan payment to the lender of the loan.

e. The DoD is not responsible for any late fees or penalties assessed by loan holders before, during, or subsequent to the student loan repayment agreement.

f. An employee receiving student loan repayment benefits from an agency is ineligible for continued benefits from that agency if the employee:

(1) Separates from the agency;

(2) Does not maintain a level of performance at level 3 (“Fully Successful” or equivalent) or higher, as described in Section 430.208(d) of Title 5, CFR, or;

(3) Violates a condition in the service agreement, if the agreement specifically states eligibility is lost when the condition is violated.

g. The AMO must require a complete record of each written determination, including the requirements addressed by Paragraphs 3.1.c. through 3.1.e. of this volume, to be developed and retained in accordance with Section 537.110 of Title 5, CFR.

h. A copy of the SF-50 and service agreement will be retained in the recipient’s electronic official personnel file.

5.2. REPAYMENT PROCEDURES.

a. Prior to providing student loan repayment benefits, DoD Components will establish a process to identify, establish, and collect debts from program participants who do not fulfill the terms of their service agreement.

(1) The DoD Component concerned will establish processes to identify all program participants who have separated or are separating without fulfilling their service agreements, and will determine whether each separation was voluntary, involuntary, or involuntary on account of misconduct. When separation is involuntary for reasons other than misconduct, DoD Components will not require program participants to repay the government any benefits provided under the program for the participant.

(2) When separation or failure to fulfill a service agreement is voluntary, or is involuntary on the account of misconduct, the DoD Component concerned will calculate the amount of the student loan repayments it has made on behalf of the employee and will establish and collect a debt to recover such amount using procedures that afford due process to the participant and are compliant with the Chapter 3 of Volume 16 of DoD 7000.14-R. Due process includes informing the participant of the:

(a) Basis for the debt and the amount.

(b) Opportunity to dispute the validity and amount of the debt.

(c) Opportunity to request that the DoD Component waive its right to recover from the participant the amounts of program benefits received by or for the participant.

(3) The DoD Component may forgo establishment of the debt if the DoD Component repayments are less than \$500.

(4) At the request of a program participant, or on its own accord, DoD Components may waive, in whole or in part, a right to recover if it is shown that recovery would be against equity and good conscience or against the public interest.

b. The process the DoD Component establishes in accordance with Paragraph 5.2.a. will be administered to identify continuously program participants who are separating or have separated from employment, and to establish indebtedness promptly and notify the employee within 60 calendar days after an employee's failure to fulfill a service agreement.

GLOSSARY

G.1. ACRONYMS.

| ACRONYM | MEANING |
|---------|--------------------------------|
| AMO | authorized management official |
| CFR | Code of Federal Regulations |
| RPA | request for personnel action |
| SF | Standard Form |
| U.S.C. | United States Code |

G.2. DEFINITIONS.

These terms and their definitions are for the purpose of this issuance.

| TERM | DEFINITION |
|-----------------------------|---|
| AMO | An official who exercises personnel appointing authority as delegated by his or her DoD Component head to take final action on matters pertaining to the approval of student loan repayment incentives. |
| excepted appointment | Civil service positions that are not in the competitive service or the Senior Executive Service. |
| loan payment | The net payment made by an agency to the holder of a student loan after deducting any tax withholdings that may be made from the gross student loan repayment benefit credited to the employee. |

REFERENCES

Code of Federal Regulations, Title 5

DoD 7000.14-R, Volume 16 “Department of Defense Financial Management Regulations (FMRs): Department of Defense Debt Management,” current edition

DoD Directive 1400.25, “DoD Civilian Personnel Management System,” November 25, 1996

DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008

DoD Manual 8910.01, Volume 1, “DoD Information Collections Manual: Procedures for DoD Internal Information Collections,” June 30, 2014, as amended

United States Code, Title 5