

**DEPARTMENT OF THE NAVY
BUREAU OF NAVAL PERSONNEL
5720 INTEGRITY DRIVE
MILLINGTON TN 38055-0000**

IN REPLY REFER TO
BUPERSINST 12300.3
PERS-08
14 Jun 2002

BUPERS INSTRUCTION 12300.3

Subj: STUDENT LOAN REPAYMENT PROGRAM

Ref: (a) 5 U.S.C., Section 5379
(b) 5 C.F.R., Part 537
(c) Title IV of the Higher Education Act of 1965, Parts B, D and E, 20 U.S.C. 1070 et seq.
(d) Title VII of the Public Health Service Act, Parts A and E, 42 U.S.C. 292 et seq.
(e) DOD memo, Authority Delegation - Student Loan Repayment Approval of 17 Oct 01 (NOTAL)
(f) DASN (CP/EEO) memo of 1 Nov 01 (NOTAL)

Encl: (1) Manager's Checklist
(2) DON Student Loan Repayment Plan
(3) NAVPERS 12300/21, DON Student Loan Repayment Application
(4) NAVPERS 12300/22, DON Student Loan Repayment Service Agreement

1. Purpose. To provide policy and guidance on the use of the new Student Loan Repayment Program for employees and managers within Bureau of Naval Personnel (BUPERS) claimancy.

2. Background

a. References (a) and (b) provide conditions under which agencies may, in order to recruit or retain highly qualified personnel, agree to repay student loans by direct payments on behalf of the employee. Repayment is limited to a loan made, insured, or guaranteed under reference (c); or a health education assistance loan made or insured under reference (d).

b. References (e) and (f) provides delegation and implementation guidance until superseded by a Department of Defense (DOD) Civilian Personnel Management (CPM) chapter. Additional information and answers to frequently asked questions for both managers and employees are located at the Office of Personnel Management (OPM) website
<http://www.opm.gov/oca/pay/studentloan/HTML/QandAs.htm>.

c. Enclosure (1) is a checklist to guide managers through the process of requesting use of the loan repayment program.

3. Objective. The objective of the Student Loan Repayment Plan is for use as a recruitment or retention tool. Repayment is limited to outstanding Federally insured loans made by educational institutions or banks, and other private lenders as authorized by references (c) and (d). This program can be used in coordination with other recruitment and retention incentives.

4. Policy

a. For recruiting purposes, use of the loan repayment incentive must be authorized before the employee recruited enters on duty. Because of the way this program is structured, loan repayments cannot be used to recruit current Federal employees and loan repayment cannot be used to retain an employee who would otherwise leave for another Federal agency.

b. For retention purposes, the approving official must determine that in the absence of offering to repay a student loan, the employee would be likely to leave for employment outside the Federal service.

c. The initial loan repayment of any amount up to the yearly maximum of \$6,000 incurs a 3-year commitment. All participating employees must agree to service that commitment in the activity that approved the loan repayment. Repayment will cease if the employee leaves the activity. Also, for each additional increment of \$6,000 paid, the employee will be expected to serve an additional 1-year of service. (The maximum payment allowable in 1 year is \$6,000, with a total of \$40,000 per employee.) For example, if a \$12,000 loan were repaid, the employee would agree to serve 4 years.

NOTE: Although repayment of a loan is contingent upon employees remaining with their activity, reimbursement of loan repayments may not be initiated unless the employee separates from DOD.

d. In selecting employees for repayment of their student loans, approving officials shall consider both equitable treatment and diversity of the workforce. Also, there should be a determination of the employee's value to the activity and budgetary considerations.

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e. Prior to any repayment of student loan, the employee is required to sign a NAVPERS 12300/22, DON Student Loan Repayment Service Agreement (enclosure 2).

f. Eligible employees are responsible for continuing to make loan payments on the portion of the loan for which they are responsible and for any income tax obligation resulting from the student loan benefit.

g. An employee who is separated from DOD for reasons of misconduct or performance, or leaves DOD voluntarily before completing the period of service will reimburse DOD for the entire amount of any student loan repayment the employee received.

h. The authorizing official may waive all or part of a recovery if they feel the recovery would be against equity and good conscience or against the public interest.

5. Coverage

a. Eligible employees include temporary employees on appointments leading to conversion to term or permanent appointments; or term employees with at least 3 years remaining on their appointments; or permanent employees and employees serving on excepted appointments with conversion to term, career or career conditional.

b. Loss of Eligibility. Employees lose entitlement to continued benefits if they

(1) separate from the activity.

(2) do not maintain an acceptable level of competence.

(3) violate the conditions of enclosure (2).

c. Within the criteria addressed in this plan, enclosure (2) can specify other employment conditions for continued authorization. These can include a requirement that the employee performs specific duties, or meet all conditions of the employment for the position. These conditions must be defined on the first page of enclosure (2) under "Conditions of Employment".

d. The bi-weekly student loan payment will be reflected on the employee's leave and earning statement in the Current

Earnings Block as "Foreign Language Proficiency Pay". This is the authorized pay period amount. The same amount is remitted to the loan holder and will be reflected as "Non-Duty Voluntary Indebtedness" in the Deductions Block. The loan payment benefit will be added to regular wages and taxed at the normal withholding rate. As a result, an employee's current total take-home pay may be reduced by the amount of the additional tax liability.

6. Responsibilities

a. Chief of Naval Personnel (CHNAVPERS) is responsible for ensuring student loan repayment program objectives are accomplished and comply with applicable policies contained in this instruction.

b. CHNAVPERS has assigned Bureau of Naval Personnel (BUPERS), Director, Civilian Personnel Policy (PERS-08) responsibility for developing policy, objectives, and guidance for the student loan repayment program and maintaining oversight. BUPERS (PERS-08) ensures Human Resource Offices (HROs)/Human Resource Service Centers (HRSCs) are provided feedback on assessment items and areas requiring their action.

c. Activities must have funds available in their authorized budget to repay student loans and, as with other recruitment and retention incentives, use of the loan repayment program must be authorized by the servicing HRO.

d. Commanders, commanding officers (COs), and officers in charge (OICs) or designee shall ensure the following:

(1) Identify in writing the basis for the repayment of any student loan. When used as a recruitment tool, the justification is to include a statement that

(a) in the absence of offering this incentive, the activity would encounter difficulty in filling the position with a highly qualified employee.

(b) provides details on difficulties faced in previous recruitment efforts. A statement may be added to job announcements when student loan repayments are authorized as a recruitment incentive, but is not required.

(2) When used as a retention tool, the justification will address the special skills, unique qualifications of the

employee or needs of the agency and how the employee's departure or potential departure would affect the activity's mission.

(3) Provide information requested by BUPERS (PERS-08) and Deputy, Assistant Secretary of the Navy, Civilian Personnel/Equal Employment Opportunity (DASN (CP/EEO)).

(4) Respond to assessment findings, recommendations, and required actions within required timeframes.

(5) Perform student loan repayment self-assessments in conjunction with Inspector General (IG)/BUPERS (PERS-08) and other assist visits.

(6) Use self-assessment results to improve student loan repayment program.

e. Servicing HROs providers shall

(1) provide further advice and assistance to serviced activities and help prepare a request to use the loan repayment program.

(2) maintain documentation for each student loan repayment to include verification of the employee's outstanding student loan (typically enclosure (4)), the manager's justification for authorizing the loan repayment, and a copy of enclosure (3). A copy of enclosure (3) will be filed on the left-hand side of the employee's official personnel folder. Use of this authority will be evaluated during periodic assessment of human resource (HR) programs.

(3) verify the existence of, and the balance remaining on qualifying outstanding loans as required by reference (b), part 537.105. This can be accomplished by requesting the candidate/employee to complete enclosure (4) and forwarding to the loan holder for verification.

(4) provide a copy of the HRO provider's self-assessment to BUPERS (PERS-00K) or BUPERS (PERS-08) representatives upon request.

7. Action. Addressees shall ensure adherence to program and reporting requirements.

8. Forms and Report

a. NAVPERS 12300/21 (04-02), DON Student Loan Repayment Application and NAVPERS 12300/22 (04-02), DON Student Loan Repayment Service Agreement are available online at website <http://forms.daps.mil/order/>.

b. Report Control Symbol BUPERS 12300-1 is assigned to this reporting requirement. This report is approved per SECNAVINST 5214.2B. The HRO will submit an annual report through their Director of Civilian Personnel Programs to DASN (CP/EEO), (Code DP1) each fiscal year. The reports will identify 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.

G. L. HOEWING
Rear Admiral, U.S. Navy
Deputy Chief of Naval Personnel

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BUPERSINST 5218.3F
List 1A

MANAGER'S CHECKLIST

This checklist will guide you through the process of requesting use of the Student Loan Repayment Program. The loan repayment incentive can be used as both a recruitment and retention incentive, and can be offered in conjunction with other incentives. Use this checklist to gather the justification/documentation you will need for approval of the repayment incentive. Please contact your HRO advisor if you have questions regarding any of these checklist items.

Determine Eligibility

The repayment incentive is not being considered to recruit a current Federal employee.

The repayment incentive is not being considered to retain a current Federal employee because they may leave for another Federal civil service position.

Prepare a brief but succinct justification that includes the following:

The special needs of the agency to fill this position.

How the activity would otherwise encounter difficulty in filling the position with a highly qualified employee.

Provide details on difficulties faced in previous recruitment/retention efforts.

If requesting a retention incentive, address the following:

The special skills, unique qualifications of the employee.

How the employee's departure would affect the activity's mission.

A determination that, in the absence of loans repayment, the employee would likely leave for a position in the private sector. Explain the rationale for that determination;

MANAGER'S CHECKLIST (Cont'd)

i.e. job search activity, past losses to the private sector from that occupation, etc.

How Employees/applicants considered for repayment received equal consideration.

Determine the amount of the loan repayment.

Although \$6,000 is the maximum payment allowable in 1 year, an activity can authorize a lower amount based on the amount owed, the employee's contribution to the activity, and budgetary considerations. The lifetime maximum that can be paid is \$40,000.

Certify that funds are available for the loan repayment.

Service Agreement Terms

A minimum of 3 years of service is required for any amount up to a yearly maximum of \$6,000. An additional year of service is required for each additional increment of \$6,000.

Repayment will be terminated if the employee leaves the activity.

**DEPARTMENT OF THE NAVY
STUDENT LOAN REPAYMENT PLAN**

1. Purpose. 5 U.S.C., section 5379 and CFR, part 537, establish statutory and regulatory authority for the use of Student Loan Repayment Program as recruitment or a retention tool. This plan provides parameters for implementing the Student Loan Repayment Program within Department of the Navy (DON). 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. This program can be used in coordination with other recruitment and retention incentives.
2. Approving Officials. The authority to approve repayment of student loans is delegated through, and subject to, heads of Echelon ONE and TWO commands to the officials who exercise personnel appointing authority (normally, the head of a command or activity). This authority may be further delegated to the lowest practical level.
3. Employee Eligibility. Eligible employees include temporary employees on appointments leading to conversion to term or permanent appointments; or term employees with at least 3 years remaining on their appointments; or permanent employees and employees serving on excepted appointments with conversion to term, career or career conditional.
4. Written Determination
 - a. Approving officials will identify in writing the basis for the repayment of any student loan. When used as a recruitment tool, the justification is to include a statement that
 - (1) in the absence of offering this incentive, the agency would encounter difficulty in filling the position with a highly qualified employee.
 - (2) provides details on difficulties faced in previous recruitment efforts. A statement may be added to job announcements when student loan repayments are authorized as a recruitment incentive, but is not required.

**DEPARTMENT OF THE NAVY
STUDENT LOAN REPAYMENT PLAN (Cont'd)**

b. When used as a retention tool, the justification will address the special skills, unique qualifications of the employee or the special needs of the agency and how the employee's departure or potential departure would affect the activity's mission.

5. Determination for Recruitment. Each determination (including the amount to be paid) must be made before the employee actually enters on duty in the position for which recruited.

6. Determination for Retention. The approving official determines that in the absence of offering to repay a student loan, the employee would be likely to leave for employment outside the Federal service.

7. Selecting Employees. In selecting employees for repayment of their student loans, approving officials shall consider both equitable treatment and diversity of the workforce.

8. Dollar Value of Repayments. Approving officials will determine the amount of the loan repayment based on the employee's value to the activity and budgetary considerations. The maximum payment allowable in 1 year is \$6,000, with a total of \$40,000 per employee.

9. Procedures for Making Loan Repayments

a. Repayment of student loans 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.

b. The Human Resource Office (HRO) will verify the existence of, and the balance remaining on qualifying outstanding loans as required by 5 CFR, section 537.105. This can be accomplished by requesting the candidate/employee to complete enclosure (4) and forwarding to the loan holder for verification.

**DEPARTMENT OF THE NAVY
STUDENT LOAN REPAYMENT PLAN (Cont'd)**

c. Activities can repay more than one loan as long as the loan repayments do not exceed the \$6,000 per year/\$40,000 lifetime limit. Activities cannot reimburse late fees assessed by the loan holder if the student loan repayment is not received in time.

d. Employees are responsible for continuing to make loan payments on the portion of the loan for which they are responsible and for any income tax obligation resulting from the student loan benefit.

10. Service Agreement

a. Prior to any repayment of student loan, the employee is required to sign a service agreement.

b. All service agreements require a 3-year commitment, which begins on the date Defense Finance and Accounting Service (DFAS) makes the first payment to the loan holder as stated in enclosure (3). A copy of enclosures (3) and (4) once signed by all parties will be transmitted to DFAS who will utilize this document to begin making payments to the lender on a biweekly basis.

11. Loss of Eligibility for Loan Repayment Benefits

a. Employees lose entitlement to continued benefits if they

(1) separate from the agency.

(2) do not maintain an acceptable level of competence (employee's most recent rating must be at least successful).

(3) violates the conditions of the service agreement.

b. Within the criteria addressed in this plan, the service agreement can specify other employment conditions for continued authorization. These can include a requirement that the employee perform specific duties, meet all conditions of employment for the position, or retain employment within the

**DEPARTMENT OF THE NAVY
STUDENT LOAN REPAYMENT PLAN (Cont'd)**

organization. These conditions must be defined on the first page of enclosure (3), under "Conditions of Employment."

12. Employee Reimbursement

a. An employee who is separated from DON for reasons of misconduct or performance, or leaves DON voluntarily before completing the period of service specified in the agreement will reimburse DON for the entire amount of any student loan repayment the employee received.

b. Authorizing officials may waive all or part of a recovery if they feel the recovery would be against equity and good conscience or against the public interest.

13. Records and Reports. The HRO will submit annual reports through BUPERS (PERS-08) to DASN (CP/EEO), (Code DP1) each fiscal year. The reports will identify 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.

14. Documentation and Record Keeping. Approving officials are responsible for ensuring that the basis for repaying a student loan is fully justified. The HRO will maintain documentation for each student loan repayment to include verification of the employee's outstanding student loan (typically enclosure (4)), the manager's justification for authorizing the loan repayment, and a copy of enclosure (3). A copy of enclosure (3) will be filed on the left-hand side of the employee's official personnel folder. Use of this authority will be evaluated during periodic assessment of HR programs.

DON STUDENT LOAN REPAYMENT PROGRAM APPLICATION
FOR OFFICIAL USE ONLY
(When filled in)

Privacy Act Statement			
The collection of this information is authorized by 5 U.S.C. 5379 in order to facilitate the repayment of student loans, where authorized. Providing this information is voluntary but choosing not to provide the requested information will preclude the payments by the Department of the Navy.			
SECTION 1: (To be completed by Applicant)			
a). Employee Name (First MI. Last)	b). Position Title, Grade	c). For multiple loans: Loan of	
d). Social Security Number	e). Telephone () - ext.	f). AGENCY	
g). Unpaid Balance Of Loan(s) (Approx.)	h). Amount Requested To Be Repaid By Agency	i). Loan Account Number	
j). Name of Loanholder (Lender)		k). Address	
l). Telephone () - ext.			
I authorize the release of my financial data by lender/holder to complete the entries in SECTION 2. (A copy of this form should be deemed as the original for authorization purposes.)		m). Signature	Date (DDMMYY)
SECTION 2: LOAN STATUS CONFIRMATION			
Loan holder: Please verify the information below and provide correct information, where missing. Please return form to:			
1). Status: <input type="checkbox"/> In Default <input type="checkbox"/> Payments Being Made <input type="checkbox"/> Deferred	2). Type of Loan <input type="checkbox"/> HEA of 1965 <input type="checkbox"/> Public Health Services Act	3). Outstanding Balance	4). Data Shows Consolidation (when multiple loans are involved) <input type="checkbox"/> Yes <input type="checkbox"/> No Date (DDMMYY)
INSTITUTION WHERE PAYMENT IS TO BE SENT			
5). Name		6). Address	
7). Telephone () - ext.			
8). Routing Number		9). Account Number	
10). Additional Information			
CERTIFICATION: As an official of the holding institution, I verify that the information in SECTION 2 is correct and current. Copy of the promissory note(s) is/are enclosed.			
11). Name and Title		12). Signature and Date (DDMMYY)	
SECTION 3: To be completed by Human Resources Office – O.K. for Processing			
Effective Date	Annual Amount	Number of Years	Total Repayment Amount
Personnel Officer or Designee	Date (DDMMYY)	Signature	

STUDENT LOAN REPAYMENT SERVICE AGREEMENT
FOR OFFICIAL USE ONLY (When filled in)

<p align="center">Privacy Act Statement</p> <p>The collection of this information is authorized by 5 U.S.C. 5379 in order to facilitate the repayment of student loans, where authorized. Providing this information is voluntary but choosing not to provide the requested information will preclude the payments by the Department of the Navy.</p> <p>Title 5 U.S.C. 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.</p>		
<p>CONDITIONS OF EMPLOYMENT</p>		
<p>The Department of the Navy agrees to provide a student loan repayment benefit to:</p>		
Employee Name	Position Title	Social Security Number
<p>Subject to the conditions of employment stated in this document.</p> <ol style="list-style-type: none">1. The employee agrees to an additional year of service for each increment of \$6000.00 paid beyond the initial yearly maximum of \$6000.002. Repayments will cease if the employee leaves the activity prior to completion of service agreement.		
<p>STATE OTHER CONDITIONS OF EMPLOYMENT SPECIFIC TO EACH AGREEMENT AS DESCRIBED IN 5 CFR 537.107(A) HERE OR ATTACH AS SEPARATE PAGE.</p>		
<p></p>		
<p>CONDITIONS OF LOAN REPAYMENT</p> <p>I agree to complete _____ Years (Minimum of Three Years) Service. My period of service begins on the date DFAS makes the first payment to the holder of my loan. In return, the Department of the Navy will make payments on my outstanding federally insured loan to: (LENDER'S NAME AND ADDRESS)</p>		
<p></p>		

