

Financial Policies and Procedures  
Student Loan Repayment Program

**CHAPTER 4**

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## 0401 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding the student loan repayment program. This program is a Governmentwide initiative to recruit highly qualified candidates and retain highly qualified employees in positions where, in the absence of loan repayment benefits, the agency would have difficulty filling the position. Qualified loans are described in 5 U.S.C. 5379; all loan repayments under this authority must be documented in writing and appropriate tax withholdings will be made. VA will report to the Office of Personnel Management (OPM) the number of employees receiving benefits under this authority, their job classifications and the cost of providing the benefits each year.

040101 AUTHORITY FOR STUDENT LOAN REPAYMENT PROGRAM. VA will provide qualified employees and candidates with student loan repayment benefits whereby VA will repay a qualifying student loan previously taken out by such employee as an incentive to retain or recruit high-quality employees. All student loan repayments will be made in accordance with 5 U.S.C. Section 5379. VA will make all obligations in accordance with 31 U.S.C. Section 1341.

040102 ACTIONS FOR STUDENT LOAN REPAYMENT PROGRAM. Student loan repayments will be approved by the VA Human Resources (HR) office. VA's local payroll office staff will coordinate approval from the local HR and fiscal officials and initiate the transaction. VA's payroll service provider (i.e., the Defense Finance and Accounting Service) will deduct taxes based on the employee's tax status or at the supplemental tax rates for Federal and state plus applicable Old Age, Survivors and Disability Insurance (OASDI), Medicare and local tax. VA will establish controls so that payments do not exceed the annual and lifetime limits.

040103 REPORTING FOR STUDENT LOAN REPAYMENT PROGRAM. VA will annually report on the student loan repayment program to OPM. VA facilities will maintain and report certain data relating to each approved student loan repayment.

## 0402 POLICIES

040201 AUTHORITY FOR STUDENT LOAN REPAYMENT PROGRAM.

A. VA will provide student loan repayments of qualified loans, as defined in 5 U.S.C. 5379, which includes loans covered under the Higher Education Act of 1965 or Public Health Service Act.

B. VA will provide student loan repayments upon determination that, in the absence of loan repayment benefits, the Department would have difficulty filling a position with a highly qualified candidate or retaining a qualified employee. An employee will be ineligible for student loan repayment benefits if he or she occupies a position that is exempt from the competitive service due to its confidential, policy-determining,

policy-making or policy-advocating character. In addition, an employee who separates from VA or fails to maintain an acceptable level of performance will become ineligible to receive the student loan repayment benefits.

C. VA will obtain signed agreements from employees, who will remain in the service of the specific VA organization or facility for the period specified in the agreement, but not less than 3 years and if separated involuntarily on account of misconduct or voluntarily before the end of the specified period, the employee will repay VA the amount of any student loan repayment benefits received. When the employee voluntarily transfers within VA, the gaining organization is not required to assume the loan repayment obligation. If the employee is reassigned by management to another VA facility, the gaining organization will take on the repayment benefit. This benefit is only required for the initial service obligation period and not necessarily for future years' repayments.

D. VA will not pay any amount to reimburse an employee for any repayments made by such employee prior to the signed agreement.

E. VA will collect debts from employees who separate before completing the required period of service, in accordance with VA's debt collection standards contained in Volume XII, *Debt Collection*. VA may waive, in whole or in part, a right of recovery if it is shown that such recovery would be against equity and good conscience or against the public interest.

F. VA will credit any amount repaid by or recovered from an individual to the appropriation account from which the amount involved was originally paid. This amount will be available for the same purpose and period, and be subject to the same limitations as other amounts in the account.

G. VA will only commit and obligate funds one fiscal year at a time if operating on an annual appropriation. All obligations will be made in accordance with 31 U.S.C. 1341.

#### 040202 ACTIONS FOR STUDENT LOAN REPAYMENT PROGRAM.

##### A. APPROVAL AND PROCESSING.

1. VA's local HR office is the authority for approving an employee's student loan repayment agreement.

2. VA's local HR office will process the student loan repayment using coding issued by OPM in order to facilitate payroll standardization. (See VA Handbook 5007 Part VI Chapter 8 for more detailed coding instructions)

3. VA's local HR office will send information regarding each loan to be repaid to the local payroll office, using the signed service agreement and loan information documents as authorization for the disbursements to be made.

**B. PAYROLL AND DISBURSEMENT.**

1. VA local payroll office staff will obtain certification from the designated Department and staff office officials that funds are available prior to disbursing repayments in subsequent fiscal years.
2. VA's payroll service provider will disburse student loan repayments in a one-time lump sum or on a bi-weekly basis. For year 1 or renewals, the employee has the option of receiving benefits in a lump sum payment or bi-weekly. After year 1 or renewals, all payments will be made bi-weekly.
3. VA local payroll office staff will initiate the transaction after receiving approval from the HR office per guidance issued by the Payroll Policy office.
4. VA's payroll service provider will deduct taxes based on the employee's tax status or at the supplemental Federal and state tax rates plus applicable OASDI, Medicare and local tax. For lump sum disbursements, taxes may be deducted from the gross amount of the student loan. For bi-weekly disbursements, taxes will be the responsibility of the employee and will be deducted from the employee's regular pay.
5. VA local payroll office staff will advise the VA payroll service provider of the amount and VA's payroll service provider will disburse payments to the loan holder. The amounts will be charged to BOC 1221, Repayment Student Loan Program.
6. VA's payroll service provider will redirect payments, subject to child support court order, commercial garnishment, tax levy and Federal salary offset, as appropriate, to the creditor or other third party.

**C. LIMITATIONS.**

1. VA will establish controls to ensure that an employee's repayments do not exceed the annual and lifetime limits.

**040203 REPORTING FOR STUDENT LOAN REPAYMENT PROGRAM.**

- A. VA will submit an annual report on the Repayment Student Loan Program to OPM as required by 5 U.S.C. 5379(h).
- B. VA's local HR office and payroll office will review student loan repayment records and update files at the beginning of each calendar year.
- C. VA offices will maintain documentation for each employee receiving student loan repayment benefits.

### **0403 AUTHORITY AND REFERENCES**

040301 [5 U.S.C. Chapter 53, Section 5379, Student Loan Repayments](#)

040302 [31 U.S.C. 1341, Limitations on Expending and Obligating Amounts](#)

040303 [5 C.F.R. Part 537, Repayment of Student Loans](#)

### **0404 ROLES AND RESPONSIBILITIES**

040401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

040402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

040403 The Deputy Assistant Secretary for Human Resources Management and Labor Relations is responsible for conducting technical reviews of student loan requests submitted for centralized approval, tracking the number of student loan repayments approved under this chapter and for compiling annual reports required by the Office of Personnel Management. Human Resources Management officials are responsible for technical review and concurrence and maintaining documentation adequate to reconstruct each case.

040404 Local HR offices, specifically supervisors, are responsible for making the written determination that a student loan repayment is needed to recruit or retain a highly qualified employee. They are also responsible for verifying that the organization would experience difficulties filling the position with a highly qualified candidate without a student loan repayment, that a candidate possesses high qualifications that meet the need of the organization or that an employee is likely to leave Federal service. Local HR offices will code student loan repayments and send the required information to payroll staff offices in order for payment to be made.

040405 Local payroll staff offices will obtain information from both the local HR office and finance activity regarding payment. Once this information is collected, local payroll offices will submit the required information to make payment to the payroll provider.

## 0405 PROCEDURES

### 040501 AUTHORITY FOR STUDENT LOAN REPAYMENT PROGRAM.

A. VA will provide qualified student loan repayments, which include a loan made, insured or guaranteed under Parts B, D or E of Title IV from the Higher Education Act of 1965 or Part A of Title VII or E of Title VIII from the Public Health Service Act. Loans covered under The Higher Education Act and Public Health Service Act include:

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

B. VA will authorize student loan repayments upon determination that, in the absence of loan repayment benefits, the agency would have difficulty filling a position with a highly qualified candidate or retaining a qualified employee. Information regarding the process for determining eligibility for the Student Loan Repayment Program is outlined in VA Handbook 5007 Part VI Chapter 8, issued by the Office of Human Resources Management Compensation and Classification Service.

1. Ineligible employees include those who occupy a position that is excepted from the competitive service because of its confidential, policy-determining, policy-making or policy-advocating character.

2. An employee shall be ineligible for continued student loan repayment benefits from VA if the employee separates from such agency, voluntarily vacates the position (this includes going to another organization or another VA facility) or does not maintain an acceptable level of performance, as determined under standards and procedures which the agency head shall by regulation prescribe. When an employee voluntarily transfers, the gaining organization may, but is not required to, assume the repayment benefit obligation. If the employee is reassigned by management, the gaining VA facility will assume full responsibility for the agreement, which only covers the initial service obligation period specified in the agreement and does not require future repayments. The VA facility will submit a justification should they choose to discontinue repayments.

C. VA will not pay any amount to reimburse an employee for any repayments made by such employee prior to the agreement being signed between VA and the employee.

D. VA will collect debts from employees separated before completing the required period of service in accordance with established debt collection standards.

E. VA employees must agree in writing, before receiving any student loan repayment benefit, that they will remain in the service of the specific VA organization or facility for a period specified in the agreement (not less than 3 years), unless involuntarily separated.

1. If an employee who is involuntarily separated on account of misconduct or voluntarily separated before completing the required period of service fails to repay the amount agreed, a sum equal to the amount outstanding is recoverable by the Government from the employee by:

a. Salary offset against accrued pay, compensation, amount of retirement credit or other amount due the employee from the Government; and

b. Such other method as is provided by law for the recovery of amounts owing to the Government.

2. VA will waive, in whole or part, a right of recovery if it is shown that recovery would be against equity and good conscience or against the public interest (see Volume XII, Chapter 3, *Waiver of Debts*). In collecting debts owed to VA, VA will adhere to its debt collection standards, as described in the series of chapters in Volume XII, *Debt Management*. If an employee is no longer a Federal employee and fails to reimburse the paying agency for the amount owed, a sum equal to the amount outstanding is recoverable from the employee under or through the appropriate provisions governing Federal debt collection.

3. The repayment may not be required of an employee who leaves the service of VA voluntarily to enter into the service of any other agency, unless the head of the agency that authorized the student loan repayment benefits notifies the employee before the effective date of such employee's entrance into the service of the other agency that payment will be required.

F. VA will credit any amount repaid by or recovered from an individual to the appropriation account from which the amount involved was originally paid. This amount will be merged with other sums and be made available for the same purpose and period, and be subject to the same limitations as the existing sums.

G. VA offices will only commit and obligate funds one fiscal year at a time. Offices that operate on an annual appropriation cannot guarantee that funds will be available to pay student loan repayments in subsequent years. The authorizing official must therefore reobligate funds for student loan repayments as funds are available each fiscal year. Student loan repayments are subject to continued availability of funds.

040502 ACTIONS FOR STUDENT LOAN REPAYMENT PROGRAM.

A. APPROVAL AND PROCESSING.

1. The local HR office will approve a student loan repayment based on the set criteria.
2. The local HR office will process the student loan repayment using the nature of action code (NOA) 817. VA's use of this NOA follows guidance issued by OPM that was established to facilitate payroll standardization and reporting on the use of the Federal student loan repayment program.
3. The HR office will send to the local payroll office a signed copy of the service agreement and specific information (e.g., payment address, loan amount) regarding each loan to be repaid. Local payroll office staff will submit a copy of the service agreement and loan information documents to VA's payroll service provider authorizing the establishment and disbursement of the payments. Local payroll office staff will maintain these documents in the employee's payroll folder.

B. PAYROLL AND DISBURSEMENT.

1. VA local payroll office staff will obtain certification from the approving HR and fiscal officials that funds are available prior to disbursing repayments in subsequent fiscal years.
2. Repayments may be disbursed in a one-time lump sum when the employee signs the initial or renewal agreement, if elected by the employee. In subsequent tax years, repayments or renewals will be disbursed on a bi-weekly basis.
3. VA local payroll office staff will submit student loan repayment information to VA's payroll service provider for input.
4. VA will subject student loan repayments to OASDI, Medicare, Federal, state and local tax withholdings, but will not disburse payments. VA's payroll service provider will deduct taxes as follows:
  - a. For lump sum disbursements, employees may request taxes be deducted from the gross amount of the student loan award. The VA payroll service provider will deduct taxes based on the employee's tax status or at the supplemental tax rates for Federal and state plus applicable Old Age Survivors and Disability Insurance (OASDI), Medicare and local tax.
  - b. For regular bi-weekly disbursements, taxes will generally be deducted from the employee's regular pay. Taxes will be deducted based on the employee's tax status.
5. VA's payroll service provider will disburse payment to the loan holder once the repayment amount is received.

6. VA's payroll service provider will redirect the student loan repayment, as appropriate, to satisfy any garnishment order when an employee's pay is subject to such withholding. The VA payroll service provider will direct the funds to the creditor or other third party instead of sending the repayment to the loan holder. The remaining amount, if any, may then be sent to the loan holder.

#### C. LIMITATIONS.

1. VA's payroll service provider will establish controls of the record keeping files (see 040503A) to ensure employees do not exceed the statutory limits. Under 5 U.S.C. 5379, an employee may receive a maximum of \$10,000 per tax (calendar) year and no more than \$60,000 in a lifetime. In addition, these limits should also be monitored by the HR office and the recommending HR official.

2. When an employee's pay is insufficient to make all requested deductions, student loan repayments to the loan holder will be deducted in the priority of deductions.

#### 040503 REPORTING FOR STUDENT LOAN REPAYMENT PROGRAM.

A. VA will provide an annual report to OPM detailing the number of employees receiving student loan repayment benefits under this authority, their job classifications and the cost of providing the benefits.

1. VA will follow guidance issued by OPM on the Student Loan Repayment Nature of Action code<sup>1</sup> (NOA code 817) that was established to facilitate payroll standardization and reporting on the use of the Federal student loan repayment program.

B. VA will provide a bi-weekly report to local payroll office staff for verification reflecting the employee's receiving the benefit, amount of the benefit and payment disbursement.

C. VA offices will provide an annual report no later than January 31 to VACO Pay Administration for OPM reporting to reflect the number and job classifications of all the employees who received student loan repayment benefits and the cost to the Federal Government for providing student loan repayment benefits.

D. VA offices will maintain documentation for each employee receiving student loan repayment benefits, including the signed agreement. Finance activities will maintain files sufficient to report the amount of repayments made in a calendar year. Records of student loan repayments must be maintained for 3 years after the completion or termination of the employee service agreement. However, records involving disputes, claims, collection or litigation actions will be maintained for a minimum of 6 years from the dispute of the claim, collection or litigation action, unless a longer period is required by agency counsel or other appropriate authority.

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<sup>1</sup> For guidance from OPM regarding NOA 817, refer to [noa817-v6.pdf](#).

**0406 DEFINITIONS**

040601 Budget Object Code (BOC). Categories in a classification system that present obligations by the items or services purchased by the Federal Government.

040602 Employee. As defined under 5 U.S.C. 2105, employee refers to an individual who is: (1) appointed in the civil service by one of the following acting in an official capacity: the President; a Member or Members of Congress or the Congress; a member of a uniformed service; an individual who is an employee under this section; the head of a Government controlled corporation; or an adjutant general designated by the Secretary concerned under section 709(c) of title 32; (2) engaged in the performance of a Federal function under authority of law or an Executive act; and (3) subject to the supervision of an individual named by paragraph (1) of this subsection while engaged in the performance of the duties of his position.

040603 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.

040604 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.

040605 Loan Payment. The net payment made by VA 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.

040606 Nature of Action Code (NOAC) 817. A Code established by OPM in its implementing regulations to facilitate payroll standardization and reporting on the use of the Federal student loan repayment program.

040607 Regular Pay. The amount received from services rendered by the employee including wage and salary payments.

040608 Service Agreement. A written agreement between VA and an employee (or job candidate) under which the employee (or job candidate) agrees to a specified period of service in exchange for student loan repayment benefits.

040609 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; and 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.

040610 Student Loan Repayment Benefit. The benefit provided to an employee in which VA repays (by a direct payment on behalf of the employee) a qualifying student loan previously taken out by such employee. The dollar value of this benefit is the gross amount credited to the employee at the time of a loan payment to the holder of the student loan, before deducting any employee tax withholdings from that gross amount. A student loan repayment benefit is not considered basic pay for any purpose.

040611 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.

040612 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.

#### **0407 RESCISSIONS**

040701 OF Bulletin 07GA2.04, Reporting/Cancelling Repayment of Student Loans

040702 OF Bulletin 03GA2.03, Interim Instructions for Repayment of Student Loans

#### **0408 QUESTIONS**

Questions concerning these financial policies and procedures should be directed as shown below:

VHA

VHA Accounting Policy (Outlook)

VBA

VAVBAWAS/CO/FINREP (Outlook)

All Others

OFP Accounting Policy (Outlook)