

## PAY ADMINISTRATION

**1. REASON FOR ISSUE:** To implement Department of Veterans Affairs (VA) procedures regarding repayment of student loans.

**2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook contains mandatory VA procedures on Pay Administration. This chapter establishes procedures for repayment of all or part of any outstanding federally insured student loan or loans previously taken out by (a) a highly qualified candidate to whom an offer of employment has been made or (b) a current highly qualified employee, when necessary to recruit and retain these personnel. This chapter will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management website](#).

**3. RESPONSIBLE OFFICE:** The Human Resources Management Programs and Policies Service (051), Office of the Deputy Assistant Secretary for Human Resources Management.

**4. RELATED DIRECTIVES:** VA Directive 5007, "Pay Administration."

**5. RESCISSIONS:** None.

**CERTIFIED BY:**

**BY DIRECTION OF THE SECRETARY  
OF VETERANS AFFAIRS:**

/s/John A. Gauss  
Assistant Secretary for  
Information and Technology

/s/Jacob Lozada, Ph.D.  
Assistant Secretary for Human  
Resources and Administration

Distribution:

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## [CHAPTER 8. REPAYMENT OF STUDENT LOANS

**1. GENERAL.** This chapter establishes VA policy for repayment of all or part of any outstanding federally insured student loan or loans previously taken out by (a) a highly qualified candidate to whom an offer of employment has been made or (b) a current highly qualified employee, when necessary to recruit and retain these personnel.

### a. Scope

(1) Student loan repayments may be authorized for individual employees who occupy General Schedule (GS) positions paid under 5 U.S.C. 5332, including "hybrid" positions identified under 38 U.S.C. 7401(3); senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Veterans Canteen Service positions; Senior Executive Service positions paid under 5 U.S.C. 5383; Federal Wage System positions; law enforcement officer positions as defined by 5 U.S.C. 8331(20) or 8401(17), whether or not under the GS; Executive Schedule positions established under 5 U.S.C., chapter 53, subchapter II; or positions for which pay is fixed by law at a rate equal to an Executive Schedule rate.

(2) Student loan repayments may be authorized for employees in full- and part-time positions specified above who are:

(a) Temporary employees serving on appointments leading to conversion to term or permanent appointments;

(b) Term employees with at least 3 years left on their appointment;

(c) Permanent employees; or

(d) Employees serving on excepted appointments with conversion to term, career, or career conditional appointments (including, but not limited to, Career Intern or Presidential Management Intern appointments).

**b. Exclusions.** A student loan may not be paid on behalf of an employee occupying a position excepted from the competitive service because of its confidential, policy determining, policy making, or policy advocating character, such as Presidential and Schedule C appointments, and **title 38 employees appointed under 38 U.S.C. 7401, 7405, and 7306 except as identified in paragraph 1a(1) for "hybrid" positions.** Title 38, hybrid, and General Schedule employees in health care positions are eligible for a student loan repayment under VHA Directive 1021, Education Debt Reduction Program.

**c. Service Agreement.** A recipient of a student loan repayment must sign a written service agreement that requires the employee to complete, at a minimum, a 3-year period of employment with VA regardless of the amount of loan repayment authorized.

**d. Student Loan Repayment Amount Limitations.** A student loan repayment may only be authorized as a recruitment or retention incentive for a candidate or employee on an annual or biweekly basis. The maximum **annual** gross amount (i.e., before taxes) payable in a calendar year that may be

authorized is \$6,000. The total **lifetime** gross amount of student loan repayments that may be authorized on behalf of an employee is \$40,000. The approving official must assure that sound justification supports each authorization.

e. **Relationship to Other Payments.** A student loan repayment may be paid in addition to a retention allowance or recruitment and relocation bonuses. The periods of service required by a Recruitment/Relocation Service Agreement are separate from the period of service required under a Student Loan Repayment Service Agreement. However, the specified period of service in a Student Loan Repayment Service Agreement may begin at the same time and run concurrently with other service agreements.

f. **Loss of Eligibility.** An employee may lose eligibility for student loan repayments and may be required to reimburse VA when conditions warrant. (See paragraph 9 in this chapter).

## 2. CRITERIA FOR THE AUTHORIZATION OF STUDENT LOAN REPAYMENTS

a. **Written Determination.** A student loan repayment must be based on a written determination that, in the absence of offering a student loan repayment, VA would encounter difficulty either in filling the position with a highly qualified candidate, or retaining a highly qualified employee in that position.

(1) **Written Determination for Recruitment Purposes.** Each written determination for recruitment purposes must be approved before the candidate enters on duty. The service agreement, including amounts to be paid and other optional terms, must be provided for the candidate's review prior to appointment. To authorize a student loan repayment for recruitment purposes, the approving official must assure that:

(a) The recipient does not work for a Federal agency;

(b) The recipient is highly qualified for the position being offered; and

(c) The organization would have difficulty filling the position with a highly qualified candidate without offering the student loan repayment incentive.

(2) **Written Determination for Retention Purposes.** Each written determination for retention purposes must be based on a description of the extent to which the employee's departure would affect VA's ability to carry out an activity or perform a function that is deemed essential to VA's mission. To authorize a student loan repayment for retention purposes, the approving official must certify that:

(a) The recipient is an employee of the organization and occupies a position requiring a highly qualified employee;

(b) The recipient possesses high qualifications for the position;

(c) In the absence of offering a student loan repayment, the employee would likely leave for employment outside the Federal government; and

(d) The employee has no adverse performance or conduct action pending.

b. **Merit Principles.** When recommending candidates and employees for a student loan repayment, all management officials must adhere to merit system principles.

### **3. STUDENT LOAN REPAYMENT REQUESTS**

a. All requests must include the information identified in Appendix VI-N.

b. A request will be submitted by the supervisor, in writing, through the servicing human resources management (HRM) office for technical review and concurrence, and to the approving official in sufficient time for a decision before the proposed effective date. Student loan repayment requests for centralized positions requiring Central Office approval will be submitted through channels to the Office of Human Resources Management (051), VA Central Office, for technical review and concurrence prior to action by the approving official.

### **4. EMPLOYEE SERVICE AGREEMENT**

a. An Employee Service Agreement (ESA) must be prepared by the HRM office and included with each student loan repayment request. A sample is provided in Appendix VI-O.

b. Before a student loan repayment can be made, the ESA must be signed by the employee agreeing to continue employment with VA for a minimum of 3 years from the date of the first loan repayment. If the employee's obligation exceeds the 3-year minimum, the ESA must include a basis for determining the length of service, i.e., that the employee will be assigned to a specific project that is expected to last beyond 3 years. The employee must also agree to reimburse VA for any loan repayments if any conditions of the service agreement are not met.

c. The ESA should include specific conditions as to position occupied, duties to be performed, duty location, work schedule, etc.

d. A statement will be included in the ESA indicating that its signing in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service.

e. Increases in the annual amount of the repayments or authorization of additional repayments not to exceed the annual limitation can be made without requiring the employee to enter into a new service agreement.

### **5. RESPONSIBILITIES**

a. Under Secretaries, Assistant Secretaries, Other Key Officials, Deputy Assistant Secretaries, and facility directors are responsible for the fair, equitable, and fiscally responsible administration of this policy and for ensuring that student loan repayments, where recommended or approved, are determined in accordance with the criteria and procedures in this chapter. They are responsible for ensuring that local policies and procedures related to this chapter are developed and implemented with involvement and/or negotiation with the exclusive Labor Representatives as appropriate in accordance with this policy, governing labor-management agreements, and applicable law and regulations.

b. The Deputy Assistant Secretary for Human Resources Management is responsible for advising management officials on the governing regulations and the procedures in this chapter, 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 (OPM).

c. HRM officials are responsible for technical review and concurrence and maintaining documentation adequate to reconstruct each case. They will retain the approval, recommendation, and supporting documentation, including the signed ESA, for 2 years after the termination of the agreement.

d. 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.

e. Employees are responsible for providing evidence of valid loan obligations to the approving official. They are responsible for providing accurate information about offers of employment and career plans, which may be used in student loan repayment determinations. They will be responsible for making timely loan payments on the portion of the loan(s) that continues to be the employee's responsibility. Student loan repayments do not exempt an employee from the responsibility and/or liability for any loan(s) the individual has taken out. The employee will also be responsible for any tax obligations resulting from the student loan repayment.

f. Approving officials must review and approve each student loan repayment recommendation. Student loan repayments will be paid only after the appropriate official approves the request. Approvals may not be made on a retroactive basis.

g. The Office of Finance (047) is responsible for overseeing the student loan repayment disbursement to lending institutions.

## **6. DELEGATION OF AUTHORITY**

a. An official at a higher level than the one recommending the student loan repayment must approve the repayment. Officials must carefully review and follow the mandatory procedures in this chapter before proceeding with a student loan repayment.

b. The Secretary, or designee, is the approving official for student loan repayments for employees in or selected for positions centralized to that office.

c. Under Secretaries, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their designees, will **recommend** student loan repayments for candidates and employees occupying positions in their organizations which are centralized to the Secretary, and employees occupying field positions centralized to their offices. They, or their designees, **approve** recommendations for employees in or selected for Central Office positions that are in their organizations that are **not** centralized to the Secretary and for employees in or selected for field positions centralized to their offices.

d. Network Directors and Area Office Directors, or their designees, may approve student loan repayment for employees in or selected for noncentralized positions under their jurisdiction.

e. Facility directors may approve student loan repayments for employees in or selected for noncentralized positions under their jurisdiction.

## **7. DETERMINING THE AMOUNT OF STUDENT LOAN REPAYMENTS**

a. **Factors to Consider.** In determining the amount of student loan repayments, the recommending and approving officials should consider the prospective employee's or incumbent's value to VA, and how far in advance the organization can commit funds. For example, a facility, due to budget constraints, may elect to only commit to a 1-year payment. However, they may authorize additional payments during the term of the agreement as long as they do not exceed the annual and lifetime payment limitations.

b. **Repayment Limitations.** The amount of repayment of a student loan(s) is subject to the following maximum limits:

- (1) \$6,000 per employee per calendar year; and
- (2) A lifetime total of \$40,000 per employee.

c. **Verification of Outstanding Balance.** Before authorizing initial or subsequent student loan repayments, a recommending official must verify with the holder of the loan that the employee has an outstanding student loan that qualifies for repayment and must determine the outstanding balance on the loan.

## **8. PROCEDURES FOR MAKING STUDENT LOAN REPAYMENTS**

a. Student loan repayments are subject to such terms, limitations, or conditions as may be mutually agreed to in writing in the ESA on behalf of VA by the approving official and by the employee. Student loan repayments may be applied only to the indebtedness outstanding at the time VA and the employee enter into an agreement, and may not begin before the employee enters on duty.

b. Student loan repayments are in addition to basic pay and any other form of compensation otherwise payable to the employee involved and are not subject to the aggregate limit on compensation.

c. A one-time annual payment of up to \$6,000 may be disbursed when a candidate or employee signs an initial or renewal service agreement. In subsequent years, a student loan repayment will be

disbursed on a bi-weekly basis. See [OPM's Questions and Answers on the Student Loan Repayment Program](#) for tax implications.

## **9. LOSS OF ELIGIBILITY FOR STUDENT LOAN REPAYMENTS AND EMPLOYEE REIMBURSEMENT TO VA**

a. An employee receiving a student loan repayment will become ineligible for continued benefits if the employee:

(1) Voluntarily vacates the position (this includes going to another organization, another VA facility, or another government agency);

(2) Does not maintain an acceptable level of performance. The employee's most recent rating of record must be a pass or equivalent rating; or

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

b. Except as provided in subparagraph e. below, an employee who fails to complete the specified period of employment or meet other terms as stipulated in the service agreement will be indebted to VA for all student loan repayments made under the service agreement.

c. If an employee fails to reimburse VA for the amount owed under subparagraph 9b, a sum equal to the amount outstanding will be recovered from the employee under Federal regulations for collection by offset from an indebted Government employee under 5 U.S.C. 5514 and 5 CFR 550, subpart k; or if the individual is no longer a Federal employee, the Debt Collection Act of 1996 governing debt collection.

d. An approving official may waive, in whole or in part, a right of recovery of an employee's debt if it is determined that recovery would be against equity and good conscience or against the public interest. Requests for waivers will be submitted, through channels, to the official responsible for the authorization of the student loan repayment.

e. An employee will not be indebted to VA when the failure to complete the employment period established under a service agreement is because the employee is involuntarily separated for reasons other than misconduct or performance or is in a non-pay status due to compensation for an on-the-job injury or military obligation.

f. A VA facility is not obligated to honor an employee's student loan repayment service agreement with another agency or another VA facility.

**10. RECORDS MAINTENANCE.** Records of student loan repayment approvals, including those for centralized field positions, sufficient to reconstruct the action will be maintained at the facility for 2 years after the termination of the employee service agreement. Records on student loan repayments for VA Central Office positions will be maintained by Central Office Human Resources Service (035). Records will include, at a minimum, the request, the approval with supporting documentation, employee service agreement described in paragraph 4 of this chapter, and notices of terminations, if applicable, along with the reason for the termination.

**11. REPORTS.** No later than December 31 of each year, the HRM Programs and Policies Service (051) will submit to OPM a report of VA use of loan repayments during the previous fiscal year. It will include the number of employees selected to receive this benefit, the job classifications of the employees selected to receive benefits, and the cost to VA for providing benefits. This report will be generated from automated records.

## **12. DEFINITIONS**

a. **Employee Service Agreement (ESA).** A written agreement between VA and the employee under which the employee agrees to a specified period of employment with an organization at a specific VA facility of not less than 3 years, in return for payments toward a student loan previously taken out.

### **b. Student Loan**

(1) A loan made, insured, or guaranteed under Part B, D, or E of Title IV of the Higher Education Act of 1965; or

(2) 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 the Act.

## **13. REFERENCES**

a. 5 CFR, part 537

b. 5 U.S.C. 2105

c. 5 U.S.C. 5379]

[APPENDIX N.  
SAMPLE STUDENT LOAN REPAYMENT  
RECOMMENDATION/APPROVAL

Date:

From: (recommending official)

SUBJ: Repayment of Student Loan(s) (employee's name)

To: (approving official)

1. The following request is submitted for:

Name: (employee's name)

Position: (title, series, grade, step, position description number, appointment authority)

Facility: \_\_\_\_\_

Duty Station: (name, city, state)

Duty Status: (Full-Time) (Part-Time: indicate # of hours per pay period)

Proposed annual student loan repayment amount: \$ \_\_\_\_\_

Proposed total student loan repayment: \$ \_\_\_\_\_

Proposed total number of years for payment: \_\_\_\_\_

Proposed effective date of service commitment: \_\_\_\_\_

Proposed ending date of service commitment: \_\_\_\_\_

Organization: (service, division, office)

The employee has selected the following payment action:

\_\_\_\_\_ A biweekly payment of \$ (amount).

\_\_\_\_\_ An initial or renewal lump-sum payment of \$ (amount) for the first calendar year.  
Payments made in subsequent calendar years will be biweekly payments of \$ (amount).

2. The following is submitted as justification for this request:

(recommending official's signature)

(date)

Concur \_\_\_\_\_ Do not concur \_\_\_\_\_

Comments:

Human Resource Manager's Signature

date

APPROVED \_\_\_\_\_ DISAPPROVED \_\_\_\_\_ OTHER \_\_\_\_\_

(approving official's signature)

(date) ]

Title

[APPENDIX O.  
SAMPLE EMPLOYEE SERVICE AGREEMENT  
DEPARTMENT OF VETERANS AFFAIRS  
Repayment of Student Loans

### 1. Introduction

This Repayment of Student Loan Service Agreement is an employment agreement between the Department of Veterans Affairs (VA) and (employee's name) (hereinafter referred to as “you” or “your”) for the purpose of specifying conditions under which you agree to work as a (full- or part-time) Federal employee at (organization) (VA facility) (Position name) in return for (VA facility) repaying part or all of your outstanding student loan(s) through loan payments to the lender(s). This agreement will continue in effect until the terms and conditions have been satisfied or funding is no longer available.

### 2. Period of Service

You are required to serve (number of years; minimum of 3 years), beginning (date, i.e., either the first day of the applicable pay period for which the initial loan payment is to be disbursed by the Payroll Office following signing of the service agreement or the date that the employee enters on duty (EOD)) and ending (date). Include the basis for determining the length of service required if more than the 3-year minimum.

### 3. Student Loan Repayments

a. The amount of the applicable outstanding student loan balance(s) as of (date) is (\$ amount). The amount of student loan payment that VA will make on your behalf under this service agreement is (maximum \$6,000) per **calendar** year, and a total amount of (maximum \$40,000) over (no.) years subject to continued availability of funds.

b. Payments by VA under this service agreement do not exempt you from your responsibility and/or liability for any loan(s) for which you are obligated, as VA is not obligated to the lender/note holder for its commitment to you. You are still responsible for the entire loan balance(s), including any amount not paid by VA and any late fees associated with the timing of the loan payments. Further, you will also be responsible for any tax obligations resulting from the loan payment benefits made according to this agreement.

c. Loan payments will be disbursed directly to the lender/note holder. Payments will be made approximately 25 days after the period of service begins (12 days after the end of the pay period). The loan payments made on your behalf are treated as wages that are subject to income, social security, and Medicare taxes being withheld. The amount of the loan payments to each lender may be reduced by mandatory and voluntary deductions, including tax levies and garnishments.

d. VA's payments will be made as:~~(mark the elected option; lender/note holder agreement also required)~~

\_\_\_\_\_ A biweekly payment of \$ (amount), which will be the amount sent to your lender(s)/note holder(s); taxes related to such payments will be withheld from your salary.

\_\_\_\_\_ An initial lump-sum payment of \$ (amount) for the first calendar year; taxes related to each payment will be deducted from that amount and a net payment made. Subsequent payments will be biweekly payments of \$ (amount), which will be the amount sent to your lender(s) note holder(s); taxes related to such payment will be withheld from your salary.

#### 4. Conditions

a. During the term of this agreement, you agree that VA facility ) is authorized to verify the status of each loan and to discuss the terms and amount of the outstanding obligation(s) with each lender/note holder. You agree to provide VA with the information about each loan, such as the lender/note holder's name, address, phone number, bank routing number, etc., your identifying information, including social security number, and your payment obligation, i.e., the amount due and the time period that the loan is to be paid. The payment benefits which are the subject of this service agreement will apply only to your student loan indebtedness outstanding as of the date that this service agreement is executed by you and (VA facility).

b. If the payments hereunder cover only a part of your repayment obligation(s) under the subject student loan(s), and if you are in arrears or default on your own loan repayment obligation(s), then VA will terminate future payments. If payments are terminated under this paragraph, the minimum period of service—3 years—must be completed or you will be obligated to reimburse VA, under VA's debt collection procedures, for the full amount of the loan payments that VA has paid on your behalf according to this agreement; if 3 years of service under this service agreement have already been completed, then any remaining service obligation under this paragraph will be terminated.

c. You are required to maintain at least a pass or equivalent performance rating for the duration of this service agreement. If your performance rating falls below passing or if you are separated involuntarily on account of misconduct, then the loan payments will be terminated.

d. If you fail to complete the period of service specified in this agreement because you voluntarily separate from VA for any reason, the loan payments will be terminated immediately and you will be obligated to reimburse VA the full amount of the loan payments that VA has paid on your behalf. If you do not make the required reimbursement, VA will initiate debt-collection procedures to recover the amount due.

e. If you apply and are selected for a position at a VA facility other than the one that is party to this agreement, the gaining VA facility is **not** required to assume this loan repayment obligation. Accordingly, your right to placement as a surplus and/or displaced employee under the Career Transition and Assistance Program does not guarantee that the gaining VA facility will take on your loan repayment obligation. However, if management reassigns you to another VA facility, the gaining

VA facility will assume full responsibility for this agreement.

f. If you fail to satisfy the terms of this agreement and are required to reimburse VA, you may request a waiver of all or part of that indebtedness. To qualify for a waiver, you must demonstrate that it would be against equity and good conscience or against the public interest for VA to recover the amount you owe. The requests for waiver must be filed with the Chief Financial Officer at the VA facility that made the loan payments. Filing a waiver request will not stop the initiation or stay debt-collection procedures.

g. This agreement in no way constitutes a right, promise, or entitlement for continued employment and/or noncompetitive conversion to the competitive service, if applicable.

## 5. Certifications

I hereby certify that I have read and understand the terms and conditions of this agreement and have attached the necessary information on each loan for which VA will make payments.

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Applicant/Employee

Date

Pursuant to OPM regulations, 5 CFR § 537.105, I hereby certify that:

In the absence of the loan repayment benefits contemplated in this agreement, (organization) (VA facility) would encounter difficulty in filling the position of (name of position) with a highly-qualified candidate (or retaining a highly qualified employee in the position of (name of position)), and I have stated my detailed reasons for this conclusion in my written determination that is part of the official file pertaining to this matter. When selecting the above-named employee to receive loan repayment benefits, I have adhered to merit system principles.

To my knowledge, approval of this agreement does not create any inequitable treatment of candidates and employees and is consistent with the diversity goals and needs of this VA facility.

The source of funding for this agreement is (accounting information):

\_\_\_\_\_  
Recommending Official      Date

\_\_\_\_\_  
HRM Official      Date

Attachment(s): Information on each loan and lender/note holder

Distribution:

Original - OPF

Copies - Employee, payroll office, supervisor, finance staff, etc.

### **Privacy Act Statement**

Part 537 of Title 5 of the Code of Federal Regulations requires the use of a service agreement to support employer repayments of student loans. Providing information and signing this agreement is voluntary, but failure to provide the requested information on your loan(s), or to sign this agreement will preclude the authorization of such payments on your behalf. It will not, however, affect your selection and appointment to the position offered you by the Department of Veterans Affairs. The information collected in connection with this agreement will be used by applicable management officials and administrative staff, payroll and accounting staffs, human resource staff, and equal employment opportunity staffs to verify the status of your loan(s), make the payments to the appropriate note holder(s), and ensure equitable treatment. There are no additional uses that may be made of the information collected.

The official copy of this agreement is maintained in your Official Personnel File, which is a category of record included in the OPM/GOVT-1 General Personnel Records system. One copy of the information that you provide, along with a copy of this agreement, will be maintained in your payroll file. Other copies may be maintained within your organization such as by your supervisor and finance office, which is appropriate under the OPM/GOVT-1 records system.]