

# **STUDENT LOAN REPAYMENT PROGRAM**



**COMDTINST 12500.3A  
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COMMANDANT INSTRUCTION 12500.3A

Subj: STUDENT LOAN REPAYMENT PROGRAM

Ref: (a) Student Loan Repayments, 5 U.S.C. § 5379  
(b) Repayment of Student Loans, 5 C.F.R., Part 537  
(c) DHS Directive No. 251-02, Repayment of Student Loans for Recruitment and Retention, May 31, 2007  
(d) Pay rates and Systems, 5 U.S.C. § 530  
(e) Records & Information Management Program Roles and Responsibilities, COMDTINST 5212.12 (series)

1. PURPOSE. This Instruction sets Coast Guard policy and procedures governing the use of student loan repayment benefits for Coast Guard civilian employees paid from appropriated funds.
2. ACTION. All Coast Guard unit commanders, commanding officers, officers-in-charge, deputy/assistant commandants, chief of headquarter directorates must comply with the policies contained.
3. AUTHORIZED RELEASE. Internet release is authorized.
4. DIRECTIVES AFFECTED. The prior version Student Loan Repayment Program, COMDTINST 12500.3 is hereby cancelled.
5. BACKGROUND. The Federal Student Loan Repayment Program was established as an incentive to recruit and retain highly qualified candidates and employees. Reference (a) and Reference (b) authorizes Federal agencies to develop a plan for using this incentive. Pursuant to obligations under Reference (c), which establishes Department of Homeland Security (DHS) policy, this Instruction establishes Coast Guard policy and procedures for using this incentive.
6. DISCLAIMER. This guidance is not a substitute for applicable legal requirements, nor is it itself a rule. It is intended to provide administrative guidance for Coast Guard personnel and is not intended nor does it impose legally-binding requirements on any party outside the Coast Guard.

7. MAJOR CHANGES.

- a. Removes the Coast Guard requirement to extend the three year service agreement after the first loan payment. Any additional repayments made during this three-year period do not extend the service agreement.
- b. Adds requirement that requests for funding beyond three-years requires a new request for benefit revalidation.
- c. Adds language that additional payments made after the initial three-year agreement has been completed, the service agreement will be extended by one year.

8. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS. The Office of Environmental Management, Commandant (CG-47) reviewed this Commandant Instruction and the general policies contained within, and determined that this policy falls under the Department of Homeland Security (DHS) categorical exclusion A3. This Commandant Instruction will not result in any substantial change to existing environmental conditions or violation of any applicable federal, state, or local laws relating to the protection of the environment. It is the responsibility of the action proponent to evaluate all future specific actions resulting from this policy for compliance with the National Environmental Policy Act (NEPA), other applicable environmental requirements, and the U.S. Coast Guard Environmental Planning Policy, COMDTINST 5090.1.

9. DISTRIBUTION. No paper distribution will be made of this Instruction. An electronic version will be located in the Coast Guard Directives System Library internally, and if applicable on the Internet at [www.dcms.uscg.mil/directives](http://www.dcms.uscg.mil/directives) .

10. RECORDS MANAGEMENT CONSIDERATIONS. Records created as a result of this Instruction, regardless of format or media, must be managed in accordance with the records retention schedules located on the Records Resource Center SharePoint Online site: <https://uscg.sharepoint-mil.us/sites/cg61/CG611/SitePages/Home.aspx> .

11. POLICY. It is the policy of the Coast Guard to utilize, where appropriate, authorized incentives to attract and retain a high quality, skilled, and productive civilian workforce. In exercising this authority, responsible Coast Guard officials must analyze budget constraints and considerations as well as the Service's mission requirements.

12. DEFINITIONS.

- a. A Student Loan is 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 VII of that Act.
- b. Loans covered under the Higher Education Act include the following examples:
  - (1) Federal Stafford Loans – including Federal subsidized, Federal unsubsidized, direct subsidized, and direct unsubsidized loans;

- (2) Federal Plus Loans – Federal and Direct Plus Loans;
  - (3) Federal Consolidation Loans – direct subsidized, direct unsubsidized, and Federal Consolidation Loans;
  - (4) Defense Loans – made before 7/1/72; and,
  - (5) National Direct Student Loans – made between 7/1/72 and 7/1/87.
- c. Loans covered under the Public Health Service Act include the following examples:
- (1) The Nursing Student Loan Program;
  - (2) The Health Profession Student Loan Program; and,
  - (3) The Health Education Assistance Loan Program.
- d. A Service Agreement is a written agreement between the Coast Guard and an employee under which the employee agrees to a specified period of employment of not less than three years, in return for payments towards a student loan previously taken out by the employee. An initial service agreement may be amended to extend beyond three years if additional payments are requested and approved. Additional payments extend the service agreement in one year increments.
- e. Requesting Official is a management official (normally the immediate supervisor) who has the authority to make selections, and to propose final ratings of record for his/her subordinate employees.
13. REQUIRED APPROVAL. Requests for student loan repayment benefits must be made in writing by the requesting official, and have the signed endorsement of the following official or deputy: The responsible unit commander, commanding officer, officer-in-charge, deputy or assistant commandant, or chief of headquarters staff element. The request must be documented using the Request for Student Loan Repayment Benefit, Form CG-12500A. The candidate's job application or resume must be attached. For a current employee, an updated application or resume must be attached. Each request must be promptly forwarded through the servicing Human Resources Specialist/Field Human Resources Specialist to Commandant (CG-123) for approval. After approval, requests will be forwarded to Commandant (CG-832) for funding certification and tracking.
14. REQUIRED FUNDING. Commandant (CG-832) will make final funding determinations subject to availability of funds. Local funds will not be used to fund this program.
15. AGGREGATE LIMITATIONS. Student loan payments are not subject to the aggregate limitation on pay. The aggregate limitation on pay in accordance with Reference (d) applies to direct payments made to employees, whereas student loan payments are paid to the loan holder on behalf of employees.

16. CRITERIA FOR APPROVING PAYMENT. Eligible employees may be considered for student loan repayment benefits up to \$10,000 (pre-tax) per calendar year, with a \$60,000 (pre-tax) agency-wide (DHS) maximum for any individual. More than one loan may be repaid if the combined repayments do not exceed these limits. Student loan repayment benefits may be provided for both recruitment and retention purposes. Student loan repayment benefits may also be used in conjunction with other incentives and allowances such as superior qualification appointments, recruitment or retention bonuses, relocation allowances, enhanced leave benefits, etc. This incentive should not be used to recruit current Federal employees from other agencies nor may it be used to retain employees likely to leave for any position in any branch of the Federal Government.

a. Recruitment Determination. Loan repayment may be authorized upon determination that, in the absence of loan repayment benefits, the Coast Guard would have difficulty filling a position with a highly qualified candidate. Evidence of need must be based on:

- (1) The success of recent efforts to recruit suitable candidates for similar positions; including such indicators as offer acceptance rates, the proportion of positions filled, and the length of time required to fill positions;
- (2) Recent turnover in the same or similar positions;
- (3) Labor market factors that affect the ability to recruit for similar positions;
- (4) The extent to which the candidate's education makes him or her a highly qualified candidate;
- (5) The feasibility of using other incentives (e.g., recruitment incentives, superior qualifications); and,
- (6) Any special qualifications needed.

b. Recruitment Amount. This determination must be in writing and must document the criteria used to determine the amount of loan repayment benefits. The determination to authorize a student loan repayment and the amount to be paid must be made before the employee enters on duty. If a request is submitted for a repayment amount exceeding \$10,000, then information about projected continued recruitment difficulties must also be submitted. Requesting officials must consider all of the following criteria in deciding the amount:

- (1) The severity of the recruiting problem;
- (2) The importance of the position to be filled and the effect on the Coast Guard if it is not filled or if there is a delay in filling it;
- (3) Current salary of the candidate;

- (4) Salary documented in a competing job offer;
  - (5) The disparity in cost of living between the candidate's current residence and the proposed duty station;
  - (6) The projected cost of further recruitment efforts if the candidate does not accept the position;
  - (7) The extent of the individual's past education, training, and experience that serves to qualify him or her for the position; or,
  - (8) Availability of funds.
- c. Retention Determination. Loan repayments may be authorized upon a determination that, in the absence of a loan repayment benefit, the Coast Guard will have difficulty retaining a highly qualified employee. If a request is submitted for a repayment amount exceeding \$10,000, then information about projected continued recruitment difficulties must also be submitted. Evidence of need must be based on:
- (1) The unique or high qualifications of the employee or the special need for the employee's services that make it essential to retain him or her;
  - (2) The feasibility of using retention incentives;
  - (3) The likelihood the employee would leave for employment if he or she does not receive loan repayment benefits. The determination that an employee is likely to leave in the absence of a student loan repayment may be based on a written offer from an employer. It may also be based on a written statement by a higher level official, endorsed by the responsible unit commander, commanding officer, officer-in-charge, deputy or assistant commandant, or chief of headquarters staff elements, that the employee is likely to leave based on such evidence as personal knowledge that the employee is actively seeking outside employment and that competitive labor market conditions make it likely such efforts will yield positive results for the employee; or,
  - (4) Requests for a student loan repayment must demonstrate in writing the extent to which the employee's departure would affect the Coast Guard's ability to carry out an activity or perform an essential function (identify other employees at the command who occupy similar positions or perform similar functions and demonstrate the special uniqueness or conditions that apply to the individual for whom the student loan repayment is requested) and that the required criteria outlined below have been considered:
    - i. The success of recent efforts to recruit candidates and retain employees with qualifications similar to those possessed by the employee for positions similar to the position held by the employee;

- ii. The availability in the labor market of candidates for employment who, with minimal training or disruption of service to the public, could perform the full range of duties and responsibilities assigned to the position held by the employee; and,
  - iii. The special conditions that apply to the individual for whom the student loan repayment is requested when there are other employees at the command or in the work unit who occupy similar positions or perform similar work or functions but for whom no request is made.
- d. Retention Amount. This determination must be in writing and must document the criteria used to determine the amount of the loan repayment benefit. Requesting officials should consider the following criteria in deciding the amount:
- (1) Salary documented in a competing job offer; or
  - (2) The importance and criticality of the position and the effect on the employing office if the employee were to leave; or
  - (3) The projected cost of recruitment and training associated with replacement of the employee; and,
  - (4) Availability of funds.
- e. Termination of Benefits. An employee receiving loan repayment benefits will be ineligible for continued benefits if he or she:
- (1) Separates from the Coast Guard for any reason (if the employee moves to another component of the Department of Homeland Security, the gaining component may enter into a new loan repayment agreement);
  - (2) Fails to maintain at least a meets expectation (or equivalent) or an achieved expectations (or equivalent) level of performance under the Coast Guard performance rating system; or,
  - (3) Violates any of the conditions of the service agreement.



17. SERVICE AGREEMENT.

- a. Before any loan repayment can be made, the current or newly appointed employee must sign a service agreement which requires completion of a minimum three-year period of employment with the Coast Guard. This three-year period will begin when the first payment is made to the holder of the loan. Any additional repayments made during this three-year period do not extend the service agreement. Requests for funding beyond three-years requires a new request for benefit revalidation (see para. 12.). A new request for each year beyond three years is required. For additional payments made after the initial three-year agreement has been completed, the service agreement will be extended by one year. The extended service agreement period begins when the first payment beyond the third year is made to the holder of the loan. The following table illustrates the application of the service agreement formula.

Service Requirement Table

<b>Reimbursement Amount</b>	<b>Minimum Service Requirement</b>
\$1 - \$30,000	3 years
\$30,001 - \$40,000	1 additional year (4 years total)
\$40,001 - \$50,000	1 additional year (5 years total)
\$50,001 - \$60,000	1 additional year (6 years total)

- b. The service agreement must be documented using the Student Loan Repayment Program Service Agreement, Form CG-12500. The agreement will specify employment conditions considered appropriate, such as, but not limited to, the employee's position and the duties he or she is expected to perform, work schedule, or level of performance. The service agreement, however, in no way constitutes a right, promise, or entitlement to continued employment or non-competitive conversion to the competitive service, nor does it limit management's right to take corrective or disciplinary actions as otherwise appropriate.
- c. Collection of a debt may be waived in whole or in part, if it is determined that recovery would be against equity and good conscience or against the public interest. Requests to waive repayment must be submitted in writing to the DHS Office of the Secretary via Commandant (CG-12) for approval. Consistency, fairness, and the cost to the taxpayer in recovering monies owed to the government will be taken into consideration.
- (1) Movement to Another DHS Component. If, for any reason, an employee moves to another component of DHS during the term of the agreement, eligibility for continued benefits will terminate. The employee will be required to reimburse the Coast Guard for loan repayments already made, unless a waiver request is approved. Waivers will be considered when the move will enable the Coast Guard to accomplish an important mission or goal. Waiver requests should be submitted to the employee's servicing Human Resources Specialist.

Commandant (CG-123) who will route to Commandant (CG-122) for review and coordination with DHS for final approval.

(2) Waiver of Repayment.

- (a) Repayment may be waived wholly or in part at the discretion of the DHS Secretary if recovery would not be in the public interest or would be against equity and good conscience.
- (b) In making this determination, the Secretary will take into account consistency, fairness, and the cost to the taxpayer of recovering monies owed to the government.
- (c) A waiver may be considered, but is not automatic, when an employee accepts a position in another Component of DHS.
- (d) Repayment is automatically waived when an employee fails to complete the service agreement due to death, disability retirement, or inability to continuing working due to disability supported by medical documentation acceptable to the approving official.

(3) Involuntary Separation for Reasons Other Than Conduct or Performance. If, during the term of the agreement, the employee is involuntarily separated for reasons other than misconduct or failure to maintain an acceptable level of performance (such as reduction in force, failure to transfer upon directed reassignment, or death), eligibility for continued benefits will terminate, however, the employee will not be required to reimburse the Coast Guard for loan repayments already made.

(4) Involuntary Separation for Conduct or Performance. If, during the term of the agreement, the employee is involuntarily separated for misconduct or failure to maintain an acceptable level of performance, he or she must reimburse the Coast Guard for the entire gross amount of the loan repayment already made.

(5) Voluntary Separation or Voluntary Transfer to Another Federal Agency Outside of DHS. If, during the term of the agreement, the employee voluntarily separates or transfers from the Coast Guard to another Federal agency outside of DHS, he or she must reimburse the Coast Guard for the entire gross amount of the loan repayment already made.

18. PROCEDURES FOR MAKING LOAN REPAYMENTS. Upon funding certification from Commandant (CG-832), the National Finance Center (NFC) will make payments directly to the lending institution holding the loan on behalf of the employee by electronic funds transfer (EFT). NFC will make one (1) lump sum payment of the amount specified by the service agreement each year a payment is authorized. Payments may be applied only to indebtedness outstanding at the time the agreement is signed, and no payments may be made before an

employee enters on duty. Updated loan documentation is required for each annual payment. Loan repayment benefits made under this authority are in addition to basic pay. These benefits are subject to Federal income tax, Federal Insurance Contributions Act (FICA) and Medicare withholding, and any State or local income tax withholdings that may be applicable. The NFC will deduct tax withholdings at the time the lump sum payment is made. The total disbursements (payment to lenders, taxes, FICA, etc.) will be used to determine whether the annual and/or maximum payment limitations apply.

19. RESPONSIBILITIES.

- a. Requesting officials must:
  - (1) Comply with merit system principles when selecting employees to receive loan repayment incentives and consider the need to maintain a balanced and diverse workforce;
  - (2) Document any request for a student loan repayment incentive by completing the Request for Student Loan Repayment Benefit, Form CG-12500A.
  - (3) Approve the request prior to appointment if used as a recruitment incentive; and,
  - (4) Submit a new request for Student Loan Repayment benefits to Commandant (CG-123) for repayments beyond the initial three-year approval. Re-validation is required each year beyond the first three.
- b. Responsible unit commanders, commanding officers, officers-in-charge, deputy or assistant commandants, or chiefs of headquarters staff elements or their deputies must endorse in writing all requests for student loan repayment benefits, following the provisions of this Instruction.
- c. Commandant (CG-123), Service Centers must:
  - (1) Ensure that the required service agreement has been signed by the employee;
  - (2) Use the Student Loan Repayment Program Outstanding Loan Information, Form CG-12500B to verify the correct loan balance and to ensure that the student loan is federally insured and eligible to be repaid under this program. The Form must be used at the time of initial approval and for any additional annual payment;
  - (3) Verify the calendar year amounts granted by other DHS components;
  - (4) Reach agreement with the holder on terms of payment;
  - (5) Ensure Commandant (CG-832) has certified funds prior to authorizing payment;
  - (6) Review and revalidate the student loan repayment request and certify availability of funds each year beyond the first three years;

- (7) Provide information needed to process the reimbursement request to the NFC;
  - (8) Ensure that payments to the institution are consistent with the requirements of this Instruction and effected on a timely basis;
  - (9) Maintain a record of each determination made under this authority and retain the record for three years after the loan has been repaid or after the Office of Personnel Management (OPM) has evaluated the program, whichever is later in accordance with Reference (e). If the service agreement has not been fulfilled, there are other disputes regarding the agreement or the loan payouts, or the agreement has become the subject of litigation, the records should be kept until the Coast Guard is notified by agency counsel that all pending claims have been resolved, all litigation concluded, and any applicable periods for seeking further review has elapsed, and in any event, for a minimum of six years from the date the facts giving rise to the dispute occurred. If debt collection is pursued against the employee for repayments to the Coast Guard, the Coast Guard must keep the records until notified by agency counsel that the debt is fully collected, compromised, or settled finally and that any applicable period for seeking further review has elapsed; and,
  - (10) Receive and review waiver requests for employees transferring to another agency (this includes other DHS components).
  - (11) Route waiver requests to through Commandant (CG-123) (Office Chief) to Commandant (CG-122) who will coordinate with DHS for final approval.
- d. Commandant (CG-122) must:
- (1) Develop and disseminate policies governing the use of the loan repayment program and provide technical guidance to employing offices concerning its administration;
  - (2) Coordinate policy changes and program modifications;
  - (3) Evaluate on a periodic basis the effectiveness of this incentive program; and,
  - (4) Prepare an annual student loan repayment report to OPM, in conjunction with Commandant (CG-832), identifying the number of employees receiving incentives under this Instruction, their job classifications, and the dollar amount of the incentives provided.
  - (5) Review and route waiver requests received by Commandant (CG-123) to DHS.
- e. Commandant (CG-123) Office Chief must: Approve or disapprove requests for student loan repayments in a fair and equitable manner. Disapproved requests will be conveyed to the requesting official and will contain an explanation of the basis for the disapproval.

- f. Commandant (CG-12) must: Recommend approval or disapproval of requests to waive collection of a repayment debt in whole or in part, if it is determined that recovery would be against equity and good conscience or against the public interest.
- g. The Office of the Secretary of Homeland Security must: approve or disapprove requests to waive collection of a repayment debt in whole or in part, if it is determined that recovery would be against equity and good conscience or against the public interest.
- h. Employees will:
  - (1) Make loan payments on the portion of the student loan that continues to be their responsibility;
  - (2) Pay any income tax obligation resulting from the loan repayment benefit; and,
  - (3) Fulfill the requirements of the service agreement.
- i. Commandant (CG-832) must:
  - (1) Certify and pay each student loan repayment request that is sufficiently funded and seek reimbursement when appropriate;
  - (2) Prepare student loan repayment reports identifying the number of employees receiving incentives under this Instruction based on actual pay records to include job series and the dollar amount paid
  - (3) Manage the prior, current, and future years account balances;
  - (4) Provide a list of student loan transactions (unliquidated obligations) for review and validation for continuance;
  - (5) Calculate the amount of any repayment due and ensure recovery of any student loan repayment money owed the Coast Guard, when an employee fails to complete the service agreement;
  - (6) Monitor and analyze budget execution patterns and ensure that funds are obligated in a timely manner, congruent with law and in harmony with program priorities; and,
  - (7) Forecast future year cost and formulate the Student Loan Repayment budget.
- j. The NFC must process the repayment requests and ensure appropriate tax withholdings are made upon receipt of the signed service agreements, a copy of the statements from the employee's lending institutions verifying the indebted amount as well as the account and Electronic Fund Transfer routing numbers. Repayment requests will not be processed without funds certification as indicated in the Request for Student Loan Repayment Benefit, Form CG-12500A.

21. FORMS/REPORTS. The forms referenced in this Instruction are available on the Coast Guard Standard Workstation or on the Internet:  
[www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-C4IT-CG-6/The-Office-of-Information-Management-CG-61/Forms-Management/](http://www.dcms.uscg.mil/Our-Organization/Assistant-Commandant-for-C4IT-CG-6/The-Office-of-Information-Management-CG-61/Forms-Management/).
22. SECTION 508. This Instruction was created to adhere to Accessibility guidelines and standards as promulgated by the U.S. Access Board. If changes are needed, please communicate with the Coast Guard Section 508 Program Management Office at [Section.508@uscg.mil](mailto:Section.508@uscg.mil).
23. REQUEST FOR CHANGES. Units and individuals may formally recommend changes through the chain of command using the Coast Guard Memorandum. Comments and suggestions from users of this Instruction are welcomed. Recommended changes may be submitted through the chain of command to Commandant, (CG-122).

/BLANCA A. SANCHEZ/  
Director of Civilian Human Resources,  
Diversity, and Leadership Directorate