



Indian Health Service Loan Repayment Program

# RECIPIENT HANDBOOK

The Benefits of  
Financial Freedom



Your Financial Freedom  
*Starts Today*



Your Indian Health Service  
*Loan Repayment Program Contract*

Keep Your LRP Information Here





## *Dear Health Professional,*

Congratulations and welcome to the Indian Health Service (IHS) Loan Repayment Program (LRP) family. By joining in the IHS LRP, you have chosen an opportunity for professional and personal fulfillment — a chance to experience the rewards of working with an appreciative, underserved population while living in some of the most beautiful areas of the country.

The costs of a health professional education are high, but the LRP gives you the financial freedom to pursue the future you've envisioned for yourself: a career with purpose and a sense of mission, treating patients who truly need you. It's no wonder that health professionals consider the LRP to be one of the most significant benefits IHS offers.

On behalf of the Indian Health Service, thank you for being a part of our mission to provide health care to American Indians and Alaska Natives.

For more information on your LRP commitment and responsibilities, please carefully review these materials.

A handwritten signature in black ink that reads "Robert E. Pittman". The signature is written in a cursive style.

Robert E. Pittman, R.Ph., M.P.H.

*Rear Admiral, USPHS*

*Assistant Surgeon General*

*Director, Division of Health Professions Support*

The IHS Loan Repayment Program

The Indian Health Service (IHS) Loan Repayment Program (LRP) gives you the financial freedom to do what you want with your career and your life. The program offers loan repayment to health care professionals who commit to working in Indian health programs for two years providing health care to an appreciative and underserved population. The LRP awards up to \$20,000 per year (in addition to salary) to recipients who agree to serve for a minimum of two years at an Indian health program site. After completing the initial two-year contract, recipients may apply for an extension and continue to serve at the same site or another priority site with one-year payment for one additional year of full-time service until qualifying loans are paid.

Terms and Qualifying Loans

The LRP repays health professions education loans on the following terms:

- Qualifying loans are limited to government (federal, state, local) and commercial loans used to pay for health professions schools.
- The LRP pays directly to the recipient the principal, interest, and related expenses (including tuition, fees, books, lab expenses and reasonable living expenses) incurred for qualifying health professions education loans.
- Up to \$20,000 per year in loan repayments can be awarded to recipients, in addition to salary, who sign a contract agreeing to a two-year service obligation.
- Twenty percent of the federal income tax liability on the LRP award as well as the recipient’s portion of the related FICA obligation are included in the award, with payment made directly to the Internal Revenue Service. Please refer to the LRP Payment Examples for more information.
- For consolidated loans (health professions education loans combined with commercial or other education loans), only the health professions education portion can be eligible under the LRP.

IHS Loan Repayment Service Obligation

Service

As an LRP recipient, you must serve your two-year contracted period working full time at the IHS site for which you have been approved. After your two-year contract has been served, the loan repayment contract may be extended at the same site or another priority site with one-year payment for one additional year of full-time employment until qualifying loans are paid. IHS annually ranks all Indian health program sites in order of priority by position, with priority given to sites with the greatest vacancy rates and need. New contracts must be for a priority position and at a priority site. Please refer to [www.loanrepayment.ihs.gov](http://www.loanrepayment.ihs.gov) for the current year’s priority list.

Also at the end of your contract period, you may continue your employment with the IHS at your current site or at a new site in the Commissioned Corps, in the Civil Service or as a Tribal hire.

Being Matched to a Site

Your selection for participation in the LRP was contingent on your having received an offer of full-time employment at an approved LRP site and having agreed to begin service there before the end of the fiscal year (September 30). If your position is not yet secured, you must contact the LRP immediately. If at any time before starting your position your situation should change, you also must contact the LRP immediately.

Employment Options

The LRP service obligation can be fulfilled through employment for the service period under any of several personnel systems. An LRP recipient can choose to become:

- A commissioned officer with a salaried appointment in the Commissioned Corps of the US Public Health Service.
- A General Schedule (GS) employee in the federal Civil Service personnel system of IHS.
- An employee of a Tribal program conducted under an Indian Self-Determination Act (PL 93-638) contract (Tribal hire).
- An employee of an Urban Indian program assisted under Title V of the Indian Health Care Improvement Act.
- An employee of a Buy Indian contract.

For full information on the Commissioned Corps and the federal Civil Service personnel systems, refer to page 27 of the Application Handbook.

Payment Information

If you are already employed by IHS or another Indian health program, LRP payments will begin within 120 days from the date the Secretary of Health and Human Services’ IHS delegate signs the IHS LRP contract. For new LRP recipients who are not currently serving at an IHS or Indian health program, your payments begin 120 days from your entry-on-duty date or your contract date, whichever is later. LRP does not pay your lender directly — you will receive your LRP payment and use it to pay your lender. At any time, the LRP may request that you provide your loan payment history showing that all payments made to you were used to pay the eligible approved loan(s). Failure to provide this information could result in dismissal from the program and possible default proceedings.

Payments are made by direct deposit into your bank account. Should you change bank accounts or need payment to be made to a different bank, fill out the Direct Deposit Sign-Up Form online at [www.ssa.gov/deposit/1199a.pdf](http://www.ssa.gov/deposit/1199a.pdf) and send the form to the LRP Branch Office.

LRP Payment Examples

The following charts are examples of LRP payments for three different qualifying loan scenarios. Each example is based on one year’s award.

Recipient with a two-year service contract and \$90,000 in qualifying education loans.

LRP Award (per year)	Amount Recipient Receives	Amount Withheld by IHS for Recipient’s Portion of FICA	Additional Payments Made by IHS	Total Payments Made by IHS
\$20,000	\$18,164	\$1,836	1. \$4,000 Income tax liability on the part of the recipient 2. \$1,836 Employer’s portion of FICA	\$25,836

Recipient with a two-year service contract and \$30,000 in qualifying education loans.

If the recipient’s total loan amount can be paid within the two-year service obligation or is less than \$40,000, the amount will be divided in half and awarded over two years.

LRP Award (per year)	Amount Recipient Receives	Amount Withheld by IHS for Recipient’s Portion of FICA	Additional Payments Made by IHS	Total Payments Made by IHS
\$15,000	\$13,623	\$1,377	1. \$3,000 Income tax liability on the part of the recipient 2. \$1,377 Employer’s portion of FICA	\$19,377

Recipient with a consolidated education loan.

In this example, a recipient has obtained a professional degree in nursing and nutrition and comes to work at IHS as a registered nurse. Only the loans obtained in pursuit of the nursing education (\$36,000) are eligible for repayment, while those obtained for the nutrition training are not.

LRP Award (per year)	Amount Recipient Receives	Amount Withheld by IHS for Recipient’s Portion of FICA	Additional Payments Made by IHS	Total Payments Made by IHS
\$18,000	\$16,348	\$1,652	1. \$3,600 Income tax liability on the part of the recipient 2. \$1,652 Employer’s portion of FICA	\$23,252

Delinquency on the Repayment of Any Federal Debt

If you are delinquent on the repayment of any federal debt, you must provide with your LRP application documentation from your lender either that you have negotiated a repayment schedule or that your federal debt is paid in full. If this has not occurred, the LRP will not award a loan. If you have been awarded a loan and it is later discovered that you do have delinquent debt, your LRP payments could be garnished to satisfy delinquent debt unless you negotiate a repayment schedule. Examples of federal debt include:

- Delinquent federal income taxes
- Audit allowances
- Federally guaranteed (or insured) loans
- Federal-direct loans
- Other miscellaneous federal administrative debts

Loans and Debts Not Eligible for Repayment

Any debts consisting of a service obligation must be satisfied prior to applying to the LRP. Any debts due to defaulted service obligations incurred under federal and state programs are not eligible for repayment under the LRP. Examples of these types of debts include, but are not necessarily limited to, the following:

- The Physicians Shortage Area Scholarship Program.
- The Public Health Service and National Health Service Corps Scholarship Program.

- The IHS Health Professions Scholarship Program (PL 94-437, Section 104).
- Armed Forces (Air Force, Army, Marines or Navy) Health Professions Scholarship Programs.
- Any loan that requires a service obligation.

Also ineligible for repayment are:

- Any credit card debt.
- Loans from other than approved government and commercial sources (e.g., loans obtained from private organizations, friends or relatives).
- Loans or portions of loans obtained in pursuit of a different health profession from the one in which you are hired for the program. See “Recipient with consolidated education loan” above for an example of eligible payments.

Responsibilities

Tax Liability

LRP payments are taxable income and will be reported to the IRS. Recipients are responsible for paying the balance of their federal tax liability (the LRP pays 20 percent), as well as any applicable state and local taxes. LRP recipients should be cognizant that the LRP makes no provision for the payment of state or local taxes and are advised to consult with their local or state tax office or their financial advisor regarding the increased liability. Your portion of your FICA contribution is withheld from your LRP payments by IHS, as required by law. Recipients will be sent a Form W-2 Wage and Tax Statement each year reflecting the total amount of loan repayment and tax payment funds they have received from the LRP that year.

Payment Obligations

Recipients are responsible for making any required loan payments prior to receiving the LRP award. For example, if you are awarded a loan in April but you do not begin work until August, you must continue to make regular loan payments until August.

While receiving LRP payments, recipients must be able to provide payment records as verification that the approved, eligible portion of their loan debt is being repaid with LRP funds (see the Contract Section B part 1). At any time the LRP may ask you to provide your loan payment history showing that all payments made to you were used to pay the eligible approved loan. Failure to provide this information could result in dismissal from the program and possible default proceedings.

Extending Participation

Once your two-year service is complete, if your loan is not paid off you can still benefit from the LRP. Apply for an extension and continue to serve full time at the same site or a different priority site with one-year payment for one additional year of service until qualifying loans are paid.

You can extend your contract at the same site on a year-to-year basis if:

- Loan repayment funds are available.
- Priority staffing needs of IHS or Indian health programs would continue to be met by an extension of your service.
- You have eligible health professions education loans not paid for under your initial contract.

***Applications for contract extensions are accepted at any time; but to receive priority consideration, the deadline is January 1 of the year your LRP contract expires. Your total period of obligated service cannot exceed the number of years that it will take to repay the total amount of outstanding eligible health professions education loans at the rate of up to \$20,000 per year under the terms of this contract.***

To apply for a LRP contract extension, you must send to the LRP Branch Office a letter that includes:

1. Updated employment verification indicating your job site.
2. Verification of your full-time job status.
3. Your job title.
4. Payment history from your lending institution(s) indicating that maximum payments from the LRP were applied to your eligible outstanding debt since your acceptance into the LRP.

## Transferring to New Site

If you are considering a transfer to another eligible site prior to completion of your contract, you must contact the LRP Branch Office. The LRP requires three letters:

Letter 1 – From you, stating why you would like to transfer.

Letter 2 – From your supervisor, clinical director or CEO identifying the impact your transfer will have on their facilities' day-to-day operations.

Letter 3 – From the site where you would like to go, stating that the site plans on hiring you and providing your hire date and position description and the need for you at the new site.

## Termination

Prior to receiving any payment from LRP, your contract can be terminated for the following reasons:

- Failure to report to duty site
- Failure to provide LRP with a valid license to practice

You must contact LRP to terminate your contract prior to receiving any payment.

## Default or Breach of Contract

Once you have begun receiving payments from the LRP, you will be considered in default or breach of your written contract if you fail either to begin or to complete your period of obligated service in accordance with Section 108 of the Indian Health Care Improvement Act. The United States will be entitled to recover from you an amount to be determined in accordance with the following formula:

$$A = 3Z[(t-s)/t]$$

in which

**A** is the amount the United States is entitled to recover.

**Z** is the sum of the amounts paid under Section 108 to, or on behalf of, the recipient plus the interest on such amounts that would be payable if, at the time the amounts were paid, they were bearing interest at the maximum legal prevailing rate, as determined by the Treasurer of the United States.

**t** is the total number of months in the recipient's period of obligated service in accordance with Section 108.

**s** is the number of months of the service obligation period served by the recipient in accordance with Section 108.

*The above information concerning damages for breach of the LRP contract is taken from Section 108 of the IHCIA.*

Termination by the IHS, Tribe or Tribal Organization, Urban Indian program or Buy Indian program of a recipient's employment during his or her period of contracted service because of the recipient's unsatisfactory performance will be considered a breach of the LRP contract.

### Damages Payable in One Year

LRP loans are funded by the federal government. Any monetary damages resulting from breach of contract that the government is entitled to recover must be paid within a one-year period. Damages not paid within the prescribed one-year period will result in interest and late penalties being charged in addition to the damages.

### Effects of Delinquency in Paying Damages

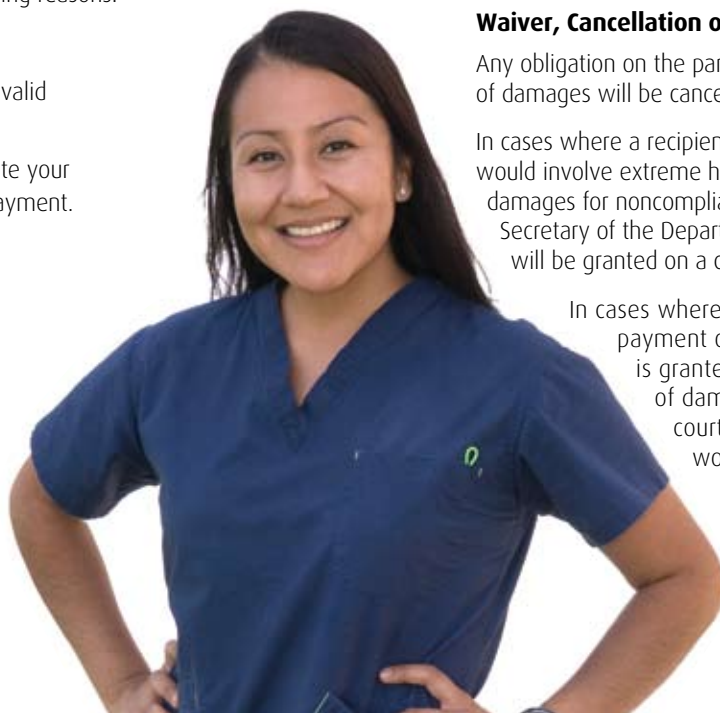
If the damages are not paid within three months after the end of the one-year payment period, the Debt Servicing Section of the Program Support Center will use collection agencies to recover all owed funds. Delinquencies of more than 60 days or damages of more than \$100 may be disclosed to appropriate credit reporting agencies.

### Waiver, Cancellation or Discharge of a Recipient's Obligation

Any obligation on the part of a LRP recipient for service or payment of damages will be canceled upon the death of the individual.

In cases where a recipient's compliance with the LRP service obligation would involve extreme hardship, the service obligation and/or any damages for noncompliance may be waived partially or totally by the Secretary of the Department of Health and Human Service. This waiver will be granted on a case-by-case basis.

In cases where a recipient declares bankruptcy, the LRP payment obligation may be released only if the discharge is granted five years after the first date that payment of damages is required, and only if the bankruptcy court finds that nondischarge of the obligation would involve extreme hardship.



# The Benefits *of* Financial Freedom

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Division of Health Professions Support  
Loan Repayment Program**

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