



**IOWA  
COLLEGE  
STUDENT AID  
COMMISSION**

430 E GRAND AVE 3<sup>RD</sup> FL  
Des Moines, IA 50309  
Telephone: (877) 272-4456  
FAX: (515) 725-3401  
E-Mail: info@iowacollegeaid.gov

---

**WAGE WITHHOLDING FOR DEFAULTED  
FORGIVABLE LOANS**

A HANDBOOK FOR EMPLOYERS

---

**TABLE OF CONTENTS**

The Basic Steps Employers Follow for Withholding .....	2
Employer Notification .....	2
Amount of Withholding .....	3
How to Remit the Earnings Withholding .....	4
When to Stop Withholding .....	5
Employer Compliance .....	5
Inquiries .....	6

**Attachments:**

Attachment A.....Forgivable Loan Order of Withholding from Earnings; Instructions	
Attachment B .....Employer Acknowledgment of Forgivable Loan Wage Withholding	
Attachment C .....Employer Acknowledgment of Release of FLP Order of Withholding	
Attachment D .....Forgivable Loan Employer Notice of Change in Employment	

We believe wage withholding will encourage many employed defaulted borrowers to voluntarily repay their loans. In those cases where borrowers continue to refuse to honor their obligations, wage withholding will also be an effective debt collection tool.

## **The Basic Steps Employers Follow for Withholding**

### Procedure

<u>Step</u>	<u>Action</u>
1.	Read the Withholding Order. It contains the instructions on how to withhold and pay the required amounts.
2.	Calculate and deduct the amount to be withheld from the debtor's pay for the first pay period that occurs after the employer receives the withholding order.
3.	Send the amount deducted to ICSAC according to the instructions.
4.	Repeat steps 2 and 3 each payday.

## **Employer Notification**

### ICSAC Action

ICSAC will send the employer a "Forgivable Loan Order of Withholding from Earnings" form which provides the debtor's name, address, and social security number as well as instructions for withholding. Please provide a copy to the debtor.

### Employer Action

Employers should respond by completing and returning the "Employer Acknowledgment of Forgivable Loan Wage Withholding" form (Attachment B) within ten (10) business days. If the debtor is no longer employed by your organization when you receive the order, simply indicate this on the form.

### Employee Notification

The debtor will already have been given notice that withholding will occur. Before you receive an order, the debtor will have:

- Been sent many notices of delinquency and finally a "Notice Prior to Wage Withholding/Forgivable Loan Program."
- Had an opportunity to contest the withholding and will have been informed of his or her rights and responsibilities in the process.

- Had an opportunity to avoid wage withholding by entering into a voluntary repayment agreement with ICSAC.

### **Amount of Withholding**

The instructions below explain how to calculate the amount of earnings to be withheld.

<u>Step</u>	<u>Action</u>
1.	Read the “Forgivable Loan Order of Withholding from Earnings” form.
2.	Identify the debtor named in the order.
3.	Identify the debtor’s gross earnings for the pay period. “Earnings” of the debtor means compensation paid or for payable personal services, whether denominated as wages, salary, commission, bonus, or otherwise.
4.	Identify amounts which can be excluded from withholding. These are limited to amounts required by law to be withheld, such as state (if applicable) and federal income tax, Federal FICA or OASI tax (Social Security). The employer should not include deductions for savings bonds, employee contribution to retirement plans or health insurance, and the like.
5.	Calculate disposable earnings by subtracting excluded amounts (step 4) from the debtor’s gross earnings (step 3).
6.	Compute the required withholding by multiplying the debtor’s disposable earnings (step 5) by .15 or such higher percentage as the debtor may have agreed to in writing. The result is the amount to withhold from the debtor’s wages each payday. The employer may round off the figure to a flat dollar amount so long as the resulting figure does not exceed fifteen percent (15%), or higher percentage agreed to in writing, of the debtor’s disposable pay.

## How to Remit the Earnings Withheld

<u>Step</u>	<u>Action</u>
1.	Prepare a check for the required withholding amount calculated according to the instructions above. Make checks payable to <b>Forgivable Loan Program - TSFL</b>
2.	Be sure each check includes the information listed below. <ul style="list-style-type: none"><li>* Debtor name</li><li>* Debtor Social Security number</li><li>* Employer name</li><li>* Notation indicating that this is a wage withholding payment (or payments)</li><li>* Employer's Federal Employer Identification Number</li></ul>
3.	Send the check to:  <b>FORGIVABLE LOAN PROGRAM-TSFL IOWA COLLEGE STUDENT AID COMMISSION PO BOX 310348 DES MOINES IA 50331-0348</b>

### Frequency of Payment

Although deductions should be made at each pay period, whether weekly, bi-weekly, semi-monthly, etc., remittance to ICSAC need not be made more often than once each month. The employer is not required to change its normal pay disbursement cycles to comply with the Withholding Order.

### Two or More Debtors

If the employer is making payments to ICSAC for two (2) or more debtors, the employer may combine payments as long as the check stub or transmittal sheet details the employee name, social security number, and amount remitted for each debtor.

## **When to Stop Withholding**

### Release of Order

To inform an employer to stop withholding, ICSAC will send a “Release of Order of Withholding from Earnings/Forgivable Loan” form to the employer. The employer should continue to withhold earnings from the debtor’s paycheck until notified by such a release that the employer is no longer responsible for withholding the earnings of the debtor. The employer should then complete and return the “Employer Acknowledgment of Release of Forgivable Loan Order of Withholding” form (Attachment C) which will be provided with the Release.

### When the Debtor Ends Employment

When a debtor for whom the employer has been withholding earnings terminates employment with their organization, the employer must notify ICSAC within ten (10) business days by completing and returning the “Forgivable Loan Employer Notice of Change in Employment” form (Attachment D). Please make copies of this form as needed. On this form the employer must also supply the debtor’s last known address and the name and address of his/her new employer, if known. This requirement will help ensure that the debtor can be located and that the new employer will be notified promptly of the withholding requirement. Income earned up to the termination date and any other compensation, such as severance pay, are subject to withholding.

## **Employer Compliance**

Employers can help keep taxpayers’ costs down for the student loan program by complying with these wage withholding procedures. There are penalties for non-compliance with the order and for retaliation against employees.

### Non-Compliance

If the employer fails to withhold wages following the receipt of the Order, ICSAC may sue the employer to recover any amount that such employer fails to withhold from wages due an employee, plus attorney’s fees, costs and, in the court’s discretion, punitive damages.

### Retaliation

Under federal law (20 U.S.C. § 1095a (a)(8)), an employer may not discharge from employment, refuse to employ, or take disciplinary action against an individual simply because that individual is subject to wage withholding. The affected individual may sue an employer who takes such action, and should the individual prevail, the court must award attorney’s fees, may order reinstatement of the individual, award punitive damages and back pay to the employee, or order such other remedy as may be reasonably necessary.

## **Inquiries**

### Correspondence Address

If the employer has any questions about wage withholding for defaulted student loans, please contact:

Forgivable Loan Program-TSFL  
Iowa College Student Aid Commission  
430 E GRAND AVE 3<sup>RD</sup> FL  
Des Moines, IA 50309

1-877-272-4456 and ask for Defaulted Forgivable Loan Programs or directly at:  
(515) 725-3424

## **Employer Instructions for Complying with the Order of Withholding**

The original of the Order is for the employer's file. The copy is to be given to the debtor by the employer.

### **Authority for Wage withholding**

The Iowa College Student Aid Commission (ICSAC) has been directed by Iowa law (Iowa Code 261.37, 283 IAC 37) to order employers of debtors with defaulted student loans to withhold fifteen percent (15%) of the disposable wages of these debtors for payment of their Forgivable loans.

### **Calculating "Disposable Pay"**

First, determine the "gross earnings" of the debtor, which means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise.

Then, subtract any amounts required by law to be withheld, for example, state and federal income tax, and federal FICA or OASI tax (social security). You should not include deductions for savings bonds, employee contribution to retirement plans or health insurance, and the like.

### **Amount of Deduction**

The Order references fifteen percent (15%) of disposable pay. However, as long as the resulting figure does not exceed fifteen percent (15%) of the debtor's disposable pay, the figure may be rounded off to a flat dollar amount, particularly if payrolls are computerized and the system cannot accommodate percentages.

### **When to Begin Deductions and Payments**

Deductions from the debtor's pay and subsequent remittances to ICSAC should begin with the first pay period that occurs after the issuance date set forth in the Withholding Order.

### **Frequency of Remittance**

Although deductions must be made at each pay period, whether weekly, biweekly, semi-monthly, etc., remittance to ICSAC need not be made more than once each month. The employer is not required to change its normal pay and disbursement cycles to comply with the Withholding Order.

### **Terms of Withholding Order**

The employer is required to withhold the appropriate amount from the debtor's wages for each pay period from the issuance date of the Withholding Order until the employer receives a "Release of the Order" form or other notification from ICSAC to discontinue wage withholding for a particular debtor.

### When the Total Amount of the Order has Been Paid

ICSAC will notify the employer of the final withholding payment for a particular debtor, and once a debtor's loan(s) are paid in full, the Order of Withholding will be released.

### Employer Acknowledgment of Wage Withholding Obligation

This Acknowledgment is enclosed with the Withholding Order. The employer must complete the Acknowledgment and return it to ICSAC within ten (10) business days.

### If Debtor is No Longer Employed by the Employer When the Order is Issued

Return the Order and the completed "Acknowledgment of Wage Withholding" form to ICSAC within ten (10) business days of this receipt to preclude any liability for failure to comply with the Order. The employer should also include the debtor's last known address and, if known, the name and address of the debtor's new employer.

### Notice of Change of Employment

Also enclosed with the Withholding Order is a "Notice of Change in Employment" form, which the employer should retain in its records. If a debtor subject to wage withholding terminates employment with the employer, the employer must fill out this form and, within ten (10) business days of the termination date, return it to ICSAC. Such Notice will stop any further liability for deductions and payments and will provide grounds for Release of the Withholding Order. The employer must provide the debtor's last known address and the name and address of the debtor's new employer, if known.

### Two or More Debtors Subject to Wage Withholding

Separate checks may be sent for each debtor's payment, or payments for two (2) or more debtors may be placed in a single check, so long as the individual names, the social security numbers, and payment amounts are shown on the check or stub or other accompanying form.

### Liability of Employers Who Fail to Comply with Withholding Order

If the employer fails to withhold wages following receipt of the Withholding Order, ICSAC may sue the employer in state court to recover any amount that the employer fails to withhold, plus attorney's fees, costs, and in the court's discretion, punitive damages.

### Liability of Employers Who Retaliate Against Employees

An employer may not discharge from employment, refuse to employ, or take disciplinary action against an employee simply because the individual is subject to wage withholding for defaulted student loans. The affected individual may sue in state court, any employer who takes such action. If the individual prevails in such suit, the court must award attorneys' fees and, in its discretion, may order reinstatement of the individual, punitive damages and back pay, or other remedies as may be reasonably necessary.

Prior Notice to Debtor

ICSAC has notified the debtor that his or her wages are subject to wage withholding and the debtor has been provided an opportunity to voluntarily enter into a repayment agreement or to obtain a hearing concerning the existence or amount of this debt prior to the issuance of the Withholding Order.

IF THE EMPLOYER HAS QUESTIONS REGARDING THE WAGE WITHHOLDING PROCESS, PLEASE CONTACT:

The Defaulted Forgivable Loan Program, at (515) 725-3424 or you may write to:

Forgivable Loan Program  
Iowa College Student Aid Commission  
430 E GRAND AVE 3<sup>RD</sup> FL  
DES MOINES, IA 50309

STATE OF IOWA, ex rel., IOWA  
COLLEGE STUDENT AID COMMISSION

\*  
\*  
\*  
\*  
\*  
\*  
\*  
\*

IN RE:  
FORGIVABLE LOAN DEBT OF  
\_\_\_\_\_ ,

Debtor ,

**EMPLOYER ACKNOWLEDGMENT OF FORGIVABLE LOAN WAGE WITHHOLDING**

I, \_\_\_\_\_, on behalf of \_\_\_\_\_ acknowledge  
(employer) (name)  
receipt of the Order of Withholding from Earnings for \_\_\_\_\_, social security number  
\_\_\_\_\_. (debtor)

[ ] The above-named debtor is an employee of this company and payments of approximately  
\$\_\_\_\_\_ will be forwarded to Forgivable Loan Program  
on a \_\_\_\_\_ basis.  
weekly/biweekly/other

[ ] The address this company has for this debtor is different than the address listed on the Order of  
Withholding. Our records reflect the address is:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[ ] The above-named debtor is no longer employed by this company. Date of Employment Termination:  
\_\_\_\_\_

Debtor's Last Known Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Debtor's Subsequent Employer & Phone No. (if available):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(telephone number)

\_\_\_\_\_  
(fax number)

RETURN THIS FORM  
WITHIN 10 BUSINESS DAYS TO:

ATTN: FORGIVABLE LOAN PROGRAM  
IOWA COLLEGE STUDENT AID COMMISSION  
430 E GRAND AVE 3<sup>RD</sup> FL

STATE OF IOWA, ex rel., IOWA \*  
 COLLEGE STUDENT AID COMMISSION \*  
 \*  
 IN RE: \*  
 FORGIVABLE LOAN DEBT OF \*  
 \_\_\_\_\_, \*  
 \*  
 Debtor. \*

**EMPLOYER ACKNOWLEDGMENT OF RELEASE  
 OF FORGIVABLE LOAN ORDER OF WITHHOLDING**

I, \_\_\_\_\_, on behalf of \_\_\_\_\_  
 (name) (employer)  
 acknowledge receipt of the Release of Order of Withholding From  
 Earnings for \_\_\_\_\_, \_\_\_\_\_.  
 (debtor) (SSN)

I understand and acknowledge that this company is required no longer to withhold wage for the debtor referenced above.

\_\_\_\_\_  
 (signature)  
 \_\_\_\_\_  
 (date)  
 \_\_\_\_\_  
 (telephone number)  
 \_\_\_\_\_  
 (fax number)

**RETURN THIS FORM  
 WITHIN 10 BUSINESS DAYS TO:** ATTN: FORGIVABLE LOAN PROGRAM  
 IOWA COLLEGE STUDENT AID COMMISSION  
 430 E GRAND AVE 3<sup>RD</sup> FL  
 DES MOINES IA 50309

STATE OF IOWA, ex rel., IOWA  
COLLEGE STUDENT AID COMMISSION

\*  
\*  
\*  
\*  
\*  
\*  
\*

IN RE:  
FORGIVABLE LOAN DEBT OF

\_\_\_\_\_

Debtor.

**FORGIVABLE LOAN  
EMPLOYER NOTICE OF CHANGE IN EMPLOYMENT**

I, \_\_\_\_\_, on behalf of \_\_\_\_\_  
(name) (employer)  
notify the Iowa College Student Aid Commission (ICSAC) of the

following information:

\_\_\_\_\_, \_\_\_\_\_  
(debtor) (SSN)

Date of termination: \_\_\_\_\_

Debtor's Last Known Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Debtor's Subsequent Employer & Phone No. (if available):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(telephone number)

RETURN THIS FORM  
WITHIN 10 BUSINESS DAYS TO: ATTN: FORGIVABLE LOAN PROGRAM  
IOWA COLLEGE STUDENT AID COMMISSION  
430 E GRAND AVE 3<sup>RD</sup> FL  
DES MOINES, IA 50309