PUBLIC INTEREST
LOAN REPAYMENT ASSISTANCE PROGRAM

GUIDELINES, APPLICATION AND FORMS

Earle Mack
School of Law
Drexel University

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Appendix LRAP Application and Forms www.drexel.edu/law

Section 1 - Introduction

The Earle Mack School of Law at Drexel University recognizes the lawyer's obligation to serve the public good and is dedicated to encouraging and supporting students to contribute to and make a difference in their communities through public service work. The Law School will instill in our students a sense of duty to work in the public interest throughout their legal careers. One goal of their training is that our students will seek full-time public sector employment.

In recognition of and consistent with this commitment, the law school has established the Loan Repayment Assistance Program (LRAP). The purpose of this program is to assist and support graduates who pursue careers in the public interest. This program acknowledges the fact that law student indebtedness poses a significant obstacle to students interested in public service careers and demonstrates that Drexel is taking action to address this urgent problem. Given the rising cost of higher education and the accompanying debt burden, a career in the public interest is often not feasible without financial assistance. Drexel created the LRAP as a way to provide our graduates with the option of considering work in lower paying public interest or public service positions by reducing some of the financial barriers that may prevent them from following this career path.

The LRAP provides law students with greater flexibility when making career decisions by offering partial loan forgiveness to applicants who work in qualifying, law-related employment in the public sector. A standing LRAP committee chooses recipients and awards are renewable annually up to the maximum number of years of participation. These forgivable loans are structured to help graduates repay a portion of their educational debt.

The law school hopes that the LRAP will have a positive impact on both our students and the legal communities in which the students practice. The goal of the program is to enable our graduates to accept jobs and continue working in the public sector while also helping the public interest organizations pursue their vital mission by recruiting, hiring and keeping the best legal talent available.

Section 2 – Overview

• Loan repayment assistance may be awarded to those J.D. graduates of the Earle Mack School of Law who:

1. Are applying within the first two years of graduation;
2. Are working in qualifying employment;
3. Meet the financial eligibility requirements;
4. Meet the qualifying law school debt; and
5. Submit a complete application by the specified deadline.

• Graduates may participate in the LRAP for a maximum of **<u>five</u>** years, or until they no longer satisfy the employment, income, or debt requirements.

• A maximum annual award of $2000 will be disbursed to each applicant annually by January 1st.

• In the event that total requests by eligible graduates for LRAP assistance in any one fiscal year would exceed the program's budget, the Law School may make *pro rata* disbursements to all eligible graduates.

Section 3 - Application and Loan Disbursement Procedures

The LRAP materials for initial applicants are available in the Career and Professional Development Office and on the web (www.drexel.edu/law). Applicants who have questions about the materials or need assistance in completing the application should contact the Career and Professional Development Office.

A. Initial Application Procedures

Graduates applying for their first year in the program shall provide the following documents:

1. Completed Application
2. Employer Certification, to be provided by the applicant's employer(s)
3. Lender Certification, to be provided by each of the applicant's educational lenders
4. Copy of most recent W-2 form
5. Copy of the applicant's most recent Federal Income Tax Return (or a certification that the applicant did not file a federal income tax return, and the reason)

The Committee reserves the right to request additional information and/or documents from the applicant if it determines that the information is needed to evaluate the application.

B. Application Timeline

Graduates seeking initial entry into the program are required to apply no later than two years from the date of their graduation.

Initial applicants are requested to submit their LRAP application and documents between the beginning of September and the end of October prior to the calendar year in which the applicant seeks acceptance into the program. Applications and accompanying documentation must be received no later than the deadline date of **November 1st.** Any applications that are not received by November 1 or are received incomplete in form or documentation will not be considered.

The LRAP Committee will review all timely and completed applications. Award recipients will be selected by **December 1st**.

The only exception to the above application timeline is for graduates from the law school the previous June who obtained their first qualifying employment after the November 1 deadline. For such graduates, the application deadline for January benefits is extended to November 30. Recent graduates who submit applications after November 30 will not be considered for LRAP benefits until the next year's disbursement.

The LRAP benefit year begins on January 1st and ends December 31st of the same calendar year. Payment of LRAP awards will be issued by **January 1st** of each year. Benefits are calculated as

of the date on which program participation commences. There are no retroactive installments. Recipients will be required to execute a promissory note before benefits are disbursed. Loans are in the form of checks, issued by the University, payable to the borrower.

C. Renewal Application Procedures

Recipients of LRAP funds continuing their participation in the program are responsible for reapplying annually for continued assistance. Each year the participant is required to resubmit all of the application information requested in the above section by the **November 1** following the initial application. The purpose of recertification is to confirm employment and income status and to update loan repayment information. Failure to submit this information by the deadline date could result in ineligibility and termination from the program. All continuing participants must also sign a new promissory note each year before new benefits can be disbursed.

Section 4 - Qualifying Employment

To be eligible for assistance, graduates must be engaged in full-time qualifying public interest employment. Employment must be law related as a condition to qualify for assistance. Employment is limited to jobs that require a J.D. degree and make direct use of the graduate's legal education.

The applicant's employment must meet all of the following requirements to qualify for LRAP funds:

1. Applicants must be employed full-time (35 hours/week); and
2. Employed in a law-related capacity; and
3. By a non-profit tax exempt organization under IRS Code 501(c)(3); or
4. In government law-related jobs at the local, state, or federal level.

Participants are required to gain admission to the bar within 1 year (12 months) of entering LRAP, in order to remain eligible to continue in the program.

Non-Qualifying Employment

1. Self-employment
2. Judicial clerkships
3. Full-time teaching
4. Work on behalf of a political candidate or party, or on a political campaign
5. Unpaid fellowships
6. Union-sponsored, fee-paid legal services
7. Paralegal clerk in a legal services office

Section 5 - Qualifying Income

A. Salary Cap
The maximum eligible salary for LRAP participation is $50,000. Eligibility is based on annual gross salary (before taxes and other benefits are deducted).

Other financial assets and extraordinary financial obligations, as reported on annual Federal Income Tax returns, will be considered when determining financial eligibility.

B. Spouse/Domestic Partner Income
In the event that a married or domestically partnered couple are both applicants and each spouse/domestic partner has an annual salary under the entry cap, then each applicant may be eligible for the Program.

In the event that an applicant has a spouse or a partner but his/her spouse/ domestic partner is not an applicant, the applicant will be treated as having the higher of:

1. The applicant's qualifying employment income; or
2. Half of the joint income.

The spouse's or domestic partner's income may affect the applicant's eligibility.

Section 6 - Qualifying Law School Debt

A. Minimum Debt Requirement
Participation in LRAP requires that a graduate satisfy a minimum law school debt requirement at the time of initial application to the program. This minimum debt is equal to the sum of the full amount of the Stafford Loans (both subsidized and unsubsidized) that were available while the graduate was a law student.

For example, if a student attended law school for three years and was eligible to borrow up to $20,500 annually in Stafford Loans, that person would need to have an aggregate qualifying loan debt of at least $61,500 ($20,500 x 3 years) at the time of initial application for LRAP Benefits.

For 2009 Graduates, the maximum Stafford Loan available was $18,500 in 2006 – 2007. Class of 2009 Graduates must to have an aggregate qualifying loan debt of at least $59,500 ($18,500 + $20,500 + $20,500).

In imposing this requirement, the law school assumes that a graduate with debts below the minimum level does not need as much assistance in servicing the loans – regardless of current income – as the graduate who was compelled to borrow the full amount of loans each year.

B. Qualifying Loans

Only institutionally approved law school and bar exam loans are considered. Such loans include, but are not limited to:

1. Federal Subsidized Stafford Law School Loans
2. Federal Unsubsidized Stafford Law School Loans
3. Federal Perkins Law School Loans
4. Approved Private Law School Loans
5. Bar Exam Loans

Credit card loans or personal loans from banks, family members or friends -- even when used to pay for law school -- are not considered under the program.

Law school debt is limited to loans for the J.D. degree. No consideration is given to loans for undergraduate degrees, graduate degrees, or other professional degrees.

Eligibility to enter LRAP requires that the applicant's education loan payments be current. Once in the program, participants are responsible for continuing to make all loan payments in a timely manner and complying with all processing requirements of educational loan lenders and services. Failure to keep loan accounts in good standing with lenders could result in termination of eligibility for LRAP benefits. Furthermore, LRAP participation is barred to anyone with an outstanding balance on a Drexel University account.

Section 7 - Disbursement

LRAP loans will be disbursed annually by January 1 upon approval of the applicant's application. Payments will go directly to participant, not the lender of the loan.

Graduates selected for an award are required to reapply for the award every year and will be eligible for a maximum of five years of LRAP awards. Since new applicants may apply each year and the amount of available funds in any given year may not be enough to accommodate all applicants, previous awardees are not guaranteed awards in subsequent years. In the event that total requests by eligible graduates for LRAP assistance in any one fiscal year would exceed the program's budget, the law school may make *pro rata* disbursements to all eligible graduates.

The law school requires successful awardees to complete a promissory note prior to disbursement of the loan. Disclosure of any changes in the awardees' or spouse's/partner's financial or employment circumstances between application and disbursement is required.

Section 8 - Loan Forgiveness

Loans made to successful applicants are forgiven at the end of the fiscal year for which the loan was received. Written verification of this forgiveness shall be provided by the LRAP Committee upon receipt from the recipient of written verification that:

1. The recipient has maintained full-time, eligible public interest employment

2. The recipient's income has not changed materially since the date of the application for the loan; and
3. The proceeds from the LRAP have been used to pay the recipient's student loan debts

A form for this purpose will be provided to LRAP Loan recipients and will also be available on the web.

Section 9 - Change in Employment Status or Salary

In some circumstances, a loan recipient may change employment during the course of a year for which a loan is granted.

1. If the new employment qualifies under program guidelines, the recipient may still be eligible for forgiveness upon submission of appropriate documentation as previously described.
2. If the new employment fails to qualify under these guidelines, the LRAP Committee will review the surrounding circumstances and determine how to proceed with the loan. For more information on this, read the section on LRAP Loan Repayment below.

In some circumstances, a loan recipient may end up having earned more or less income than anticipated at the time of the loan application.

1. If, at the end of the year, the applicant earned **less** income than projected, the LRAP loan will remain the same.
2. If, at the end of the year, the recipient earned an income that is over the salary cap, the LRAP Committee will review the surrounding circumstances and determine how to proceed with the loan. For more information on this, read the section on LRAP Loan Repayment below.

A participant may take up to two years of leave from qualifying employment for purposes of child care, nurturing responsibilities, relocation, further education, debilitating injury or illness, etc. During this period the participant is not eligible for assistance. Upon re-commencement of qualifying work, the graduate again becomes eligible for assistance.

It is each participant's responsibility to inform the law school of any changes in employment or income whenever it occurs.

Section 10 - Loan Repayment

Recipients who remain in eligible employment after the first year of LRAP assistance will have all previous LRAP loans forgiven, and will not be required to repay such loans.

A recipient will not qualify for complete LRAP loan forgiveness, however, if s/he leaves eligible employment during the period for which the award is made or if s/he earned an income over the salary cap, as follows:

1. The repayment amount shall equal the amount of the original loan multiplied by a fraction, the numerator of which is twelve (12) minus the number of full months that the recipients remained in qualifying employment and the dominator of which is twelve (12).

All participants who become ineligible or discontinue participation in the program are required to submit an Exit Form. The Exit Form is used to determine eligibility for forgiveness of any outstanding LRAP loans or the amount of over-awards that must be repaid.

The LRAP Committee will consider a loan recipient's financial hardships in administering this requirement.

Section 11 - Tax Information

LRAP awards will be given as one-year, no interest forgivable loans, not grants. Under the Taxpayer Relief Act of 1997, LRAP loans are generally not considered taxable as income. An LRAP grant award, however, would incur a tax liability. Drexel forgives these loans if the participant continues to meet the LRAP requirements at the end of the year.

The LRAP program is designed to provide potential tax advantages to participants. 26 U.S.C. Section 108(f) of the Internal Revenue Code details the requirements for non-taxable loan forgiveness for individuals in public service employment. The amount of the forgivable loan is generally not considered taxable income to an individual working for an organization described in Section 501(c) (3) of the Code. Additional information is available in IRS Publication 970, Tax Benefits for Education.

Drexel cannot offer you, and this information should not be considered, legal advice. Recipients of an LRAP award are personally responsible for contacting a tax advisor regarding the tax implications of the LRAP loan and to seek legal advice for any questions about their personal tax circumstances.

Section 12 - Administration

The LRAP Committee reviews applications to the LRAP and determines eligibility for participation. The decisions of the LRAP Committee are final.

The LRAP Committee also reviews the requirements of the LRAP and proposes changes in the number and amount of awards to be disbursed. This reassessment by the Committee may result in amendments to the LRAP structure, the amount of awards, number of awards, and eligibility requirements.

For questions concerning the LRAP, please contact Rashida West, Esq. at rtw27@drexel.edu or 215-571-4805 in the Career and Professional Development Office at The Earle Mack School of Law at Drexel University.

Section 13 - Reservation of Rights

The Earle Mack School of Law at Drexel University reserves the right to modify or terminate the LRAP and make changes applicable to all participants. The law school continues to reserve the right to make these changes at any time without notice, even if such changes affect current participants. Eligibility and the amount of financial assistance are determined in accordance with the rules and regulations in effect at the time of the LRAP entry, not school entry.

In implementing this program, the law school guarantees neither the funding of every eligible applicant in a given year nor the duration of the program. Benefits will be paid only to the extent that funds are available and the Program continues to exist.

If the level of participation in the Program would cause costs to exceed the budgeted funds in any given year, payments to participants will be reduced on a pro rata basis to meet that limit. If the level of participation in the Program or any of its terms would cause a budget surplus in any given year, the excess funds will roll over and be added to the following year's allocation.