



Lewis & Clark Law School

Loan Repayment Assistance Program

Making public interest work affordable.

2012 Funding Year



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Introduction

The Loan Repayment Assistance Program (LRAP) seeks to ease the debt burdens incurred during law school for graduates who choose to work in public interest jobs soon after graduation despite low starting salaries. Lewis & Clark Law School recognizes that such a choice of professional activity is often impossible for those who must service a large educational debt. By lessening the debt burden for many of our neediest graduates in the years immediately following law school graduation, the LRAP makes public interest law work a viable option for more new lawyers.

The Law School also sees the need to encourage public interest legal work. The LRAP helps make legal services available to public interest organizations in a number of ways: graduates working in public interest jobs are able to make ends meet; public interest employers are able to hire more attorneys within their current budgets and enjoy higher employee retention rates; graduates have greater flexibility in establishing public interest law projects; graduates from disadvantaged communities are able to give something back to those communities; and more public-spirited students and citizens are encouraged to become lawyers.

The LRAP is administered by the Public Interest Loan Council (PILC), composed of the Public Interest Law Coordinator, a student appointed by the Public Interest Law Project (PILP), and law professors, lawyers, and citizens appointed by the Dean of Lewis & Clark Law School.

LRAP awards are structured as forgivable loans, with an eye toward fitting the requirements for non-taxability to recipients set out in Internal Revenue Code § 108(f) and Rev. Rul. 2008-34. Individual situations vary, and recipients should consult a tax professional to determine whether forgiveness of their loans, if any, is a taxable event. Because awards are structured as loans, those loans must be repaid to Lewis & Clark Law School if a recipient does not remain qualified for forgiveness at the end of each LRAP Year. A recipient projects expected income and loan payments for the upcoming LRAP Year in the initial application and then verifies the actual numbers with a forgiveness application made during the April following each LRAP Year. A number of changes in circumstances may result in disqualification for loan cancellation in part or in full; these include underestimating income, exceeding the income cap, making loan payments of less than the LRAP loan amount, and changing employment (see Section 13 - Change of Circumstances During the LRAP Year).

Recipients must supply financial information to the LRAP at three times. Numbers are reported as projections in an initial application, as a checkup in a mid-year report, and as confirmed numbers in an application for loan forgiveness. Loans are funded in reliance on the information provided and are paid in two disbursements. The first disbursement is made upon application approval, and the second disbursement is made upon verifying that the recipient's mid-year report numbers are on track to meet projections.

Be aware that in July of 2009, a new federal loan repayment option, Income-Based Repayment (IBR), became available. This program may allow some graduates to significantly reduce their monthly loan repayment amounts and to begin building 120 months of public service to qualify for federal forgiveness of certain loans. For more information please visit www.equaljusticeworks.org/resources/student-debt-relief/default. To avoid complications, recipients switching their repayment plan should notify the PILC and indicate their new monthly payment amounts as soon as possible.

Program Eligibility & Definitions

Section 1 - Basic Eligibility Criteria

Applicants must meet a number of qualifying requirements specified later in this description. In summary, applicants must be

- A. J.D. graduates of Lewis & Clark Law School,
- B. within the qualifying period following graduation,
- C. working in a qualifying law related, public interest career, and
- D. realizing less annual income than the current income cap.

Completed applications and requested attachments must be received by **Monday, January 30, 2012** to be eligible for the 2012 funding year. Applications received after this deadline will be considered at the committee's discretion.

In determining which applicants receive awards and how to distribute funds, the PILC will consider outstanding student loans, the payment that would be required were the graduate to use Income-Based Repayment, financial need, demonstrated commitment to public service work, and other factors that the PILC finds relevant in its sole and unfettered discretion. No political, religious, or ideological bias will be employed.

The program is committed to abiding by the letter and spirit of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990; graduates who believe they will require special accommodation may petition the PILC with their request.

Section 2 - Law School Graduation

- A. The LRAP is open only to J.D. graduates of Lewis & Clark Law School.

Section 3 - Timing of Application(s)

- A. **First-time recipients.** Graduates may apply to enter the program as first-time recipients within the first **three** years after the January following their graduation from Lewis & Clark Law School. Members of the class of 2009 or later may apply by January 30, 2012 to be first-time LRAP recipients of loans disbursed in 2012. Graduates who have been out of law school for longer than three years may not apply to be first-time participants in the LRAP program, regardless of the reason they have delayed application.
- B. **Possible extension of LRAP participation.** Graduates who received LRAP loans during the first three years following their graduation may apply for LRAP loans for a maximum of **five** years after the January following their graduation from Lewis & Clark Law School. The five-year limit is not extended for any reason. Graduates of the class of 2007 or later may apply for *continued* assistance if they have previously received LRAP assistance.
- C. Priority will be given to graduates within the first **three** years after graduation when selecting recipients and distributing funds.
- D. Students anticipating graduation in December 2011 are eligible to apply for the 2012 funding year if they have accepted a specific public interest job with an employer who can submit the required documentation. Alternatively, they may apply for a loan disbursed in the 2013 funding year and designate their first LARP Year retrospectively (see Section 10 - LRAP Year).

Section 4 - Qualifying Employment

- A. LRAP is premised upon assisting graduates who choose public interest legal careers. Thus, employment must be (a) law related and (b) public interest in spirit and content.
 - 1. “**Law related**” means that the position must substantially utilize the legal training and skills of the graduate.
 - 2. “**Public interest**” work means:
 - i. Work for an organization qualifying for tax exemption under Internal Revenue Code section 501(c)(3), (4), or (5), for example legal aid or legal services organizations, public defender offices, private non-profit organizations that have as a primary purpose the rendering of legal services to or on behalf of persons or organizations which could not otherwise obtain like services, and international human rights organizations, or
 - ii. Work for federal, state, or local government units, as long as the work is focused on providing legal aid, legal services, or criminal justice services to or on behalf of persons or organizations which could not otherwise obtain like services; judicial law clerks are not considered to be engaged in public interest work. This category includes governmental units made up of groups of Indian tribes as defined by Internal Revenue Code Section 7873(b).
- B. Full-time teaching is not considered public interest employment by the program; however, graduates employed by legal clinics attached to a law school may be eligible for LRAP benefits if they meet other criteria.
- C. IRS rules prohibit an organization from canceling loans if the graduate is employed at the lending institution; thus, employees of Lewis & Clark Law School are *not* qualified to apply to the LRAP.
- D. Applicants may be employed in jobs in addition to their qualifying employment so long as their total income meets the income eligibility requirements.
- E. Although it is important and essential work, public work performed for a private employer not meeting the requirements in Section 4 (A)(2) above does not qualify for the LRAP. For example, work for a private firm that performs public defense services does not qualify.

Section 5 - Income Cap

- A. Graduates applying for the 2012 funding year project their total gross (before taxes and other benefits are deducted) income for the year 2012. Although the LRAP’s primary criterion is public interest legal employment, limited resources mandate an income cap.
- B. In the 2012 funding year, LRAP loans will be first awarded to qualified applicants whose *adjusted* income (as defined in Section 6 – Adjusted Income) is less than \$45,000.
- C. If funds remain after assisting applicants whose *adjusted* income is less than \$45,000, awards may be made at the PILC’s discretion to graduates whose *adjusted* income is up to \$50,000.
- D. If no awards are given to graduates whose projected *adjusted* income exceeds \$45,000, the 2012 income cap will be \$45,000. If awards are given to graduates whose projected *adjusted* income exceeds \$45,000 the income cap will be \$50,000. Recipients who exceed the cap may be required to repay part of all of their awards.

- E. In calculating LRAP loan eligibility, the PILC may make adjustments to your projected income. These adjustments form the basis for the final determination of loan eligibility. PILC may request additional documentation to help in these calculations. To determine your adjusted income, PILC will apply the factors outlined in Section 6 - Adjusted Income. The result will not necessarily correspond to “adjusted gross income” on tax forms.
- F. For LRAP income eligibility, a domestic partner’s income will be treated exactly the same as that of a married spouse. The term “partner” means ***spouse or domestic partner***. A domestic partnership is defined as a partnership with all the following characteristics:
 - 1. Two persons living together in an exclusive and committed relationship;
 - 2. Who are financially interdependent;
 - 3. Who are not related by blood or adoption;
 - 4. Who are both at least 18 years of age and mentally competent, and;
 - 5. Who are not legally married to anyone.
- G. Basic income eligibility is established as follows:
 - 1. A letter from your employer that includes the following:
 - i. Confirmation of your employment, including your starting date;
 - ii. Confirmation of your projected 2012 annual income;
 - iii. A copy of your employer’s tax exempt certificate;
 - 2. If you are married or in a domestic partnership, a letter from your Partner’s employer confirming your Partner’s projected 2012 annual income.

Section 6 - Adjusted Income

In calculating LRAP loan eligibility, adjustments to the applicant’s gross (before tax) income may be made in specific situations. Those adjustments form the basis for the final determination of adjusted income and are as follows:

- A. **Spouse/Domestic Partner income.** In determining adjusted income for the LRAP, a graduate who is married or in a domestic partnership will be treated as having the higher of (a) his or her individual income; or (b) half the joint income. Any student loan payments of the partner will be subtracted from the partner’s annual income. In the event both partners are applicants under the Program, each partner will be treated as having half of the joint income for purposes of calculating the adjusted income of each.
- B. **Dependents’ allowance.** In determining adjusted income, an exemption of \$5,000 for each minor dependent child will be allowed. If the child will not be claimed as a dependent on the applicant’s tax return, the applicant must supply the School with verification of expenses paid on behalf of the child. In the case of two participants in the LRAP with joint dependent children, the total number of children will be divided between the participants. For example, imagine a married couple both of whom participate in the LRAP. If the couple has 1 child, each participant will have \$2,500 deducted from total income.
- C. **Income sources.** All of an applicant’s income from whatever source derived will be included in the LRAP’s calculation of adjusted income. When applicable, all of an applicant’s partner’s

income from whatever source derived will also be included in the calculation. Applicants are responsible for fully reporting both their own income and that of their Partner including:

1. Total anticipated gross wages, salaries, and tips;
2. Total anticipated investment income (capital gains; checking, savings, and other interest; and dividends) other than IRA's and other tax-preferred retirement accounts;
3. Anticipated rental, business, and self employment income *net* of expenses;
4. Anticipated child and spousal support;
5. Anticipated pension, social security, and annuity distributions;
6. Anticipated rental income net of expenses;
7. Anticipated trust fund income;
8. Other anticipated taxable income (royalties, etc.);
9. Anticipated non-taxable income (forgiven loans, gifts, inheritances, other);
10. Anticipated in kind remuneration;
11. Awards from other LRAP programs; and
12. Any other income not listed above.

D. **Student loan interest deduction.** The LRAP does NOT consider the deduction allowed by the IRS for interest paid on student loans when calculating adjusted income. Further, the LRAP does not consider any deductions allowed by the IRS. This policy means LRAP adjusted income will typically be higher than tax form adjusted gross income.

E. **Cost of living.** The LRAP does NOT consider the cost of living in a particular location.

F. **Employer provided Partner benefits.** Employer provided Partner health insurance benefits, while taxable for IRS purposes will NOT be considered income for the LRAP.

G. How and when applicants provide this information:

1. **Loan application.** An applicant provides the above information as projected for the coming year. The application form asks the pertinent questions and outlines the required supporting documents.
2. **Mid-Year report.** A recipient provides the above information reflecting actual data for the first half of the LRAP year. To confirm data, each recipient must submit a copy of the most recent payment stub from each employer showing year-to-date income. This year-to-date income will be used to confirm eligibility both for Program benefits previously awarded and for benefits to be awarded for the second half of the LRAP Year. Under certain circumstances, a recipient may also be required to submit a copy of income tax returns or other documents.
3. **Loan forgiveness application.** A recipient provides the above information reflecting the actual data for the LRAP Year. Because the PILC must confirm the projections made in loan applications, a recipient must submit tax returns for the relevant year(s). If a recipient has a Partner, the same information must be provided by the partner. If a recipient's projections are lower than the actual numbers reported in the forgiveness application, repayment of the LRAP loan may be required in part or in full.

Section 7 - Assets

- A. All of an applicant's substantial physical and financial assets, as well as the physical and financial assets of an applicant's Partner will be included in consideration of need. Applicants are responsible for fully reporting both their own assets and those of their Partner including:
 - 1. Real estate;
 - 2. Automobiles;
 - 3. Checking, savings, and investment accounts (including stocks, bonds, deposits, and other investments whether held in an account or individually);
 - 4. Tax-deferred retirements accounts (including 401k accounts, IRAs, pensions, and annuities);
 - 5. Interests in trust funds; and
 - 6. Any other significant assets.

Section 8 - Educational Loans

- A. The LRAP provides financial assistance toward the monthly payments of a participant's law-school educational loans, that is, loans whose proceeds were used for educational and living expenses while attending law school and studying for a bar exam.
- B. All student loans, including those at the undergraduate level and those taken for pre-law school graduate studies, will be considered in calculating the applicant's needs. In giving loans, PILC may consider the ratio of law-school debt to other educational debt.
- C. Graduates may elect to "consolidate" their various student loans into a single loan.
- D. Graduates may elect to use Income-Based Repayment (IBR) to repay their loans. Use of IBR usually results in a lower monthly payment than the original monthly payment. In assessing unmet need, PILC may take into consideration whether the applicant has selected IBR and calculate need based on estimates of what the graduate would pay using IBR.
- E. Loan totals reported by an applicant will be verified against school records.
- F. A graduate is not eligible to receive LRAP funds if delinquent on any student loan payments.

Section 9 - LRAP Loans

- A. LRAP awards are structured as forgivable loans. An LRAP recipient must sign a Promissory Note prior to the disbursement of the LRAP award.
- B. LRAP awards will be made at the discretion of the application review committee in accordance with the eligibility standards outlined above.
- C. Interest will not accrue during the LRAP Year in which a recipient is receiving an LRAP loan. Interest will begin to accrue in the year subsequent to the LRAP Year if the loan is not forgiven. There is no penalty for prepayment of LRAP loans.
- D. Interest on any loan will accrue during periods when the loan is in repayment status. Interest on LRAP loans shall be the average prime rate of interest during the quarter prior to the LRAP disbursement. The interest rate will be stated in the Promissory Note signed by the recipient.

Section 10 - LRAP Year

- A. A program participant can choose any twelve-month period to be the participant's LRAP Year, that is, the year for which the participant's income, employment, and loan repayment will be

considered (for example September 1 - August 31). If not indicated otherwise by the applicant, the default LRAP Year will be January 1 through December 31.

- B. An applicant may designate a date prior to the application date as the start of the LRAP Year.
- C. All LRAP applications have the same deadline to apply for loans, regardless of what months an applicant chooses to use as the LRAP Year.
- D. An LRAP recipient must apply for loan forgiveness no later than the April following the end of the LRAP Year. For example, a recipient whose LRAP Year ends in December, 2011 must apply for loan forgiveness no later than April, 2012; a recipient whose LRAP Year ends in May, 2011 also must apply for loan forgiveness no later than April, 2012.

Section 11 - LRAP Disbursement

- A. LRAP disbursements are subject to a recipient continuing to meet the eligibility criteria. These criteria will be subject to verification at three different times: once upon application, at the half-way mark of the LRAP Year, and a third time in consideration of loan forgiveness.
- B. LRAP loans will be disbursed in two payments. The PILC will disburse the first half upon approval of the application. Six months later, after verifying the recipient's continued eligibility with the mid-year report, PILC will disburse the second half.

Section 12 - LRAP Loan Forgiveness

- A. After meeting the income and employment qualifications for a minimum of one year, a participant becomes eligible to apply for forgiveness of the LRAP loan. Loan forgiveness is **not** automatic. The PILC will send each recipient an application for loan forgiveness at the end of one year from the time the loan originated.
- B. An application for forgiveness must be accompanied by information allowing the PILC to confirm whether the projections made at application time reflect actual income for the LRAP Year. Documentation requested may include federal income tax returns and W-2 forms in addition to any other documents PILC finds necessary for verification.
- C. If a recipient wants to apply for an LRAP loan for another year, a subsequent loan, if approved, will not be disbursed until an application for forgiveness of the previous LRAP loan is received.
- D. Failure to submit a forgiveness application will result in the LRAP loan going into repayment, including the accrual of interest.

Section 13 - Change of Circumstances During the LRAP Year

- A. In some cases, a loan recipient may change employment during the course of the LRAP Year.
 - 1. If the new employment qualifies under program guidelines, the recipient may still be eligible for forgiveness upon submission of appropriate documentation.
 - 2. If the new employment does not qualify under these guidelines, a repayment review committee will review the surrounding circumstances and determine how to proceed. For more information on this process read Section 14 - LRAP Loan Repayment.
- B. In some cases, a loan recipient may earn more or less income than the application projected.
 - 1. If the recipient earned less income than projected, the LRAP committee may consider this in determining the amount of loan to be given in a subsequent year.

2. If the recipient earned income greater than the salary cap, a repayment review committee will review the surrounding circumstances and determine how to proceed.
- C. In some cases, a recipient may have experienced a reduction in the monthly payment required on one or more educational loans. If the recipient's actual law-school loan repayments during the LRAP Year are less than the amount projected at application time, a repayment review committee will review the surrounding circumstances and determine how to proceed.
- D. It is each recipient's responsibility to inform the PILC of any changes in employment, income, or loan obligation over the course of the year.

Section 14 - LRAP Loan Repayment

- A. If upon application for loan forgiveness the recipient has an adjusted income over the LRAP salary cap for the year of the loan, or if the recipient's payments on law-school loans was less than the LRAP award for the year of the loan, the recipient may be ineligible for loan forgiveness.
- B. A special review committee will individually review the circumstances surrounding LRAP recipients who appear to be ineligible for loan forgiveness. The committee is composed of the Dean of the Law School, the Associate Dean for Academic Affairs, the Public Interest Law Coordinator, and a faculty member appointed by the Dean. The committee has complete discretion to forgive a loan either partially or completely, or to deny the request for forgiveness and put the loan into repayment.
- C. LRAP recipients who appear to be ineligible can choose whether they want to submit to committee review. Recipients who decline committee review immediately enter repayment.
- D. LRAP recipients who choose to participate in the committee review process must submit written materials to the committee. The written statement should include, 1) why the recipient was unable to foresee becoming ineligible for loan forgiveness when initially applying for the LRAP, and 2) any extenuating circumstances the recipient wants the committee to consider in deciding whether to forgive the loan. Applicants for loan forgiveness may submit other documents they think the committee will find relevant along with the written statement.
- E. After the review committee receives and evaluates written materials, it may, at its discretion, request a conference with the applicant. The conference can be in person or via conference call. Decisions made by the review committee are final.
- F. Upon determination that an LRAP loan (or portion of an LRAP loan) will go into repayment, balances due on the loan, including any accrued interest, will be repayable on the terms set out in the note(s) executed by the recipient. The term of repayment under any note will not exceed five years, and the repayment period begins on the first of the month following the month the review committee makes a determination on repayment, unless other arrangements are made in writing.
- G. The PILC expects LRAP recipients to comply with the terms of the notes evidencing LRAP loans. By signing an LRAP note and agreeing to its terms, LRAP recipients enter into a legal obligation to repay borrowed funds upon the terms of the note. Failure to comply with the terms of any note may result in the commencement of an action to collect unpaid principal and interest.

Section 15 - LRAP Administration

- A. PILC or its designee reviews applicants to the LRAP program and determines eligibility for participation. The decisions of PILC or its designee are final.
- B. PILC regularly reviews and evaluates the LRAP, the income eligibility cap, loan forgiveness terms, and other features of the Program. Goals are measured against the policy objectives of the LRAP and the resources available to support the Program.

Inquiries

Address all inquiries about LRAP and applications for participation should be addressed to:

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