

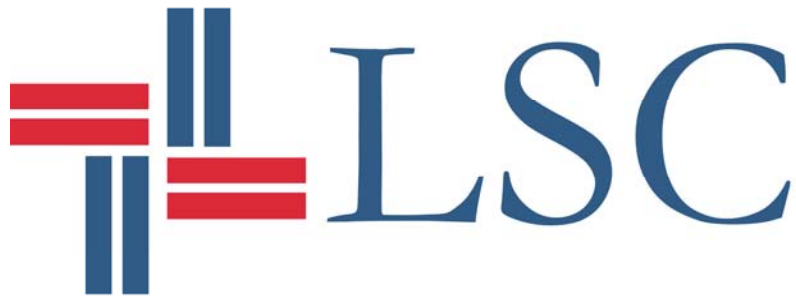
LEGAL SERVICES CORPORATION

October 1, 2008 – September 30, 2011

LSC PILOT

LOAN REPAYMENT ASSISTANCE PROGRAM

Program Description



July 2008

Program Description

I. Overview

In 2005 the Legal Services Corporation (LSC) established a Pilot Loan Repayment Assistance Program (LRAP) to obtain the data necessary to determine the extent to which an LSC Pilot LRAP would help LSC grantees recruit and retain qualified attorney staff. Attorneys, who are selected to participate in the LSC Pilot LRAP, receive loans for three (3) years as long as they remain eligible for the program and funding is available. The description of the LSC Pilot LRAP contained in this paper applies to new applications filed on or after July 1, 2008.

LSC will make loans of \$5600 to a limited number of attorneys eligible for the program. The participating attorney (PA) must use the LSC Pilot LRAP assistance to pay eligible law school loans, plus accrued interest. The PA also must commit to meet all terms and conditions of the LSC Pilot LRAP. The LRAP debt will be forgiven by LSC at the end of each year. *Applicants must commit to remain with the grantee for three years if they participate in the LSC Pilot LRAP.*

A PA's participation in the LSC Pilot LRAP's first year is based on the initial application. To participate in the pilot's second and third years, a PA must submit information demonstrating continued eligibility for the program. If otherwise eligible, a PA will remain eligible in the second and third years even if the PA's salary exceeds the LSC Pilot LRAP income limit. However, the PA must recertify in the second and third years of participation that the PA is otherwise financially eligible for the LSC Pilot LRAP assistance. PA awards in the second and third years of the program are contingent upon funds being available.

All PA applicants, including those not receiving LSC Pilot LRAP assistance, must agree to participate in the evaluation of the LSC Pilot LRAP. Evaluation activities may include the completion of surveys and participation in interviews.

II. Program Rules for Participating Attorneys

A. Requirements for Participating Attorneys

Eligibility requirements for the 2008-2011 LSC Pilot LRAP include the following:

- A PA must timely submit a completed LSC Pilot LRAP application and all supporting documents.
- A PA must work for one of the LSC grantee programs participating (hereinafter referred to as "participating grantee program" or "PGP") in the LSC Pilot LRAP.
- A PA may have no more than three years (36 months) experience with the PGP that employs the PA at the time of application.¹

¹ Newly recruited attorneys, who were not told about the possibility of LSC LRAP assistance during the hiring process, are eligible to apply for the LSC LRAP.

- A PA must be a full-time employee of the PGP (that is, work at least 35 hours per week or its equivalent per the PGP's pay period.)
- A PA must have a total outstanding debt of at least \$20,000 on eligible law school educational loans, as described in Section B. below.
- A PA may have a total annual income from all sources that is no more than \$50,000 and a total net worth of no more than \$35,000.² Attorneys working for Alaska Legal Services Corporation are eligible for the LSC Pilot LRAP if their total annual income from all sources is no more than \$61,300. Attorneys working for the Legal Aid Society of Hawaii will be eligible for the LSC Pilot LRAP if their total annual income from all sources is no more than \$51,750. Attorneys working for these two programs may not have a net worth in excess of \$35,000.
- A PA is not required to first apply to and maximize participation in any other loan repayment assistance program for which the PA is eligible. The receipt of other LRAP assistance will not decrease the amount of the LSC loan. However, LSC will seek information on the availability to the applicant of other LRAPs to help make future improvements to the LSC Pilot LRAP.
- A PA must apply for the LSC Pilot LRAP by completing an Application Form, submitting all other required documentation and certification forms, and, if accepted, by signing a Promissory Note.
- A PA must provide loan data according to the instructions in the Application Form.
- A PA must provide a statement of good standing from the PGP.
- If a PA receives LSC Pilot LRAP assistance, a PA is expected to complete 3 years of employment with the participating program.
- A PA must agree to participate in the LRAP evaluation. This is a pilot program designed to test the impact of an LRAP on the recruitment and retention of staff attorneys. By participating in this pilot program, a PA agrees to cooperate in the program's evaluation which may include interviews with LSC staff as well as completion of one or more surveys.

B. Eligible and Ineligible Loans

1. Eligible Loans

The LSC Pilot LRAP will provide assistance, as approved by LSC, toward the payment of the following loans incurred for law school expenses, on condition that they can be verified through a lending institution:

² Income sources include but are not limited to the PA's wages and salaries, interest, dividends, realized capital gains, gifts and trust income. Net worth consists of the sum of the value of financial assets (e.g. cash, value of checking and savings accounts, stocks, bonds) and non-financial assets (e.g., equity in real estate) minus any debts (e.g., mortgage loans, student loans, consumer credit). Equity in the home in which the PA lives is not included in the net worth calculation.

- Federal Stafford Loans (Subsidized/Unsubsidized)
- Supplemental Loans for Students (SLS)
- Federal Perkins Loans
- Law Access Loans (LAL)
- Law Student Loans (LSL)
- Law school-based loans
- Other educational (e.g., Nellie Mae, Sallie Mae, TERI) loans
- Bar exam/Bar study loans

2. Ineligible Loans

The LSC Pilot LRAP will not provide assistance toward payment of the following loans:

- Non-law school educational loans
- Non-educational loans
- Educational or non-educational loans from family members
- Educational or non-educational commingled loans with spouses or partners or parents
- Credit card debt loans

PAs are responsible for any tax or other legal consequences or legal implications if they use LSC Pilot LRAP funds to pay any of these ineligible loans or debts. In addition, the PA will be in default of the provisions of the Promissory Note and will be required to repay to the LSC the principal and interest pursuant to the terms of the Promissory Note.

C. Loan and Financial Information Required from PAs

To be eligible for LRAP assistance, attorneys or law graduates must have law school educational debt with a total outstanding debt service on eligible educational loans of at least \$20,000 and meet the other requirements of the LSC Pilot LRAP. A PA will be required to provide lender documentation of each loan. If law school debt has been consolidated with undergraduate and/or graduate school debt, the PA will be asked to separate out the law school debt. The PA Application Form and Instructions describes these requirements in detail. A PA must also certify compliance with the income and asset eligibility criteria.

A PA must notify the LSC LRAP Coordinator in writing of any errors, omissions or significant changes in the application information or other information provided LSC within 30 days of learning of such errors, omissions, or changes. Failure to provide this information may affect the PA's eligibility for the program.

Once a PA is determined to be financially eligible for the program, any change in the PA's income or assets will not affect the PA's future eligibility for the program.

D. Use of the LSC Pilot LRAP Funds

All LSC Pilot LRAP funds received by PAs must be applied to eligible educational loan payments.

E. LSC Pilot LRAP Loan Payment and Loan Forgiveness

LSC's loan payment is made in an annual check to PAs. Since law school loans are typically due in monthly installments, PAs are expected to retain the LSC loan payment and use the LSC funds to make their monthly payments on eligible law school loans. See Section B. 1 above. In the event that LSC's loan exceeds the PA's monthly payments in a particular year of the LSC Pilot LRAP, the PA will be required to apply that excess to the payment of her other eligible law school loan debt, as defined in Section B. 1 above.

PAs may apply the LSC Pilot LRAP loan to make a lump sum payment to pay down eligible debt principal. Under no circumstances may PAs use LSC's loan assistance funds to defray living expenses or any debt other than eligible law school loans.

Loans are mailed to the PA's *home* address after LSC receives from the PA a signed Promissory Note. The first year's annual payment will cover the period October 1, 2008, through September 30, 2009. The employer (PGP) is not involved in this loan relationship, other than to verify that the PA remains in good standing in the participating grantee program. The amount of this loan will be \$5600 for all PA's found eligible for the program.

Interest on the LSC loan will accrue at the rate of 6 percent per annum. This loan will be forgiven upon the PA's completion of employment with the PGP that year. If the PA voluntarily quits employment without good cause or is terminated with cause during the year, the entire amount of the loan plus interest for the current year will become due and owing.³

In the case of a PA who leaves the program for good cause before the end of the year, LSC will cancel a portion of the indebtedness (total loan amount for that year plus interest accrued to date) corresponding to the proportion of the year the PA was employed by the PGP. The entire remaining outstanding balance will become due and payable. Any remaining amount not offset or forgiven must be repaid promptly by the PA.

F. Submitting a LSC Pilot LRAP Application

The LSC Pilot LRAP application process is an electronic process. Please read the Instructions for Completing the LSC Pilot LRAP Application/Certification form before completing the form.

A completed application consists of:

- The electronic submittal of the Application/Certification form with all appropriate boxes checked;
- Loan documentation; and
- An Executive Director Certification form.

G. Renewal in the LSC Pilot LRAP In Year Two and Year Three

³ "Good cause" could be illness of the PA or members of the PA's immediate family. Taking higher paying employment is not good cause. Employment by another LSC grantee will not cause termination of the agreement as long as the PA remains otherwise eligible. LSC has the sole discretion to determine what is "good cause."

PAs who have completed their first year will be required to renew participation in the LSC Pilot LRAP for the second-year and third-year terms. They will be required to complete a Renewal Form, submit necessary certifications, and submit documentation of law school loans. See section C. above.

III. Program Rules for Participating Grantee Programs (PGPs)

The PGPs' obligations for the LSC Pilot LRAP include the following:

- PGPs must be supportive of the LRAP concept.
- PGPs must inform LSC that PA(s) will accept employment or is(are) employed by the grantee and is(are) in good standing with the PGP.
- PGPs must notify LSC if a PA leaves the grantee's employment for any reason.
- The PGP must be willing to participate in LSC's evaluation of the pilot program.

While not a criterion for participation in the LSC Pilot LRAP, LSC expects that selected PGPs will work to develop local, state, or regional LRAPs.

IV. Tax Consequences of Receiving LSC Pilot LRAP Assistance

The LSC Pilot LRAP is designed to take advantage of the provisions of section 108(f) of the Internal Revenue Code. In consultation with legal counsel, LSC believes it has structured the LSC Pilot LRAP so that the loan amounts forgiven by LSC when a PA completes each year of the pilot LRAP are not considered taxable income to the PA, and thus do not have to be reported as such. However, there is no authoritative legal guidance available to determine with certainty the proper tax treatment of these financial benefits. LSC does not give tax advice. Each PA remains responsible for federal and state income tax consequences on individual returns.

PAs have the option to treat the forgiveness of their pilot LRAP as taxable income. PAs are encouraged to seek independent legal advice for any questions about their particular tax situations.

