



Willamette University College of Law Loan Repayment Assistance Program (LRAP)

Overview

Willamette recognizes that many graduates are unable to pursue careers in public interest law because of the low salaries paid in the public interest sector and the amount of the graduate's loan repayment schedule. The Loan Repayment Assistance Program (LRAP) was designed to aid College of Law graduates working in public interest law by reducing their law school student loan debt.

Under the program, the College of Law will lend eligible candidates money to help them repay their student loans. If a loan recipient works in a qualifying public interest position for at least one year after receipt of the LRAP, the loan may be forgiven. Eligible graduates may apply annually for a total of three years of LRAP funding and loan forgiveness.

The Willamette LRAP program is coordinated by the Willamette University College of Law Career Services office (WCS). WCS, among other things, distributes applications to interested graduates, receives completed applications, and forwards completed applications to the Willamette LRAP Committee, which makes eligibility and award determinations.

To qualify, a graduate must be employed in qualifying public interest employment, meet certain income eligibility requirements and have outstanding law school educational debt. LRAP awards are made on an annual basis with the amount of an LRAP award determined primarily by the person's total law school debt. LRAP awards are disbursed in two, substantially equal semi-annual installments and are forgiven at the end of the year if the recipient demonstrates that all employment, income, and student loan payment obligations have been met.

The specifics of the LRAP program are explained below.

1. Applicant Eligibility

To be eligible for an LRAP award, an applicant must have graduated from the Juris Doctorate program at the Willamette University College of Law after April 2005, work in Qualifying Public Interest Employment, and not be delinquent on any student loan payments. Eligible graduates may participate in the program for up to three years, but no graduate may apply for an award for a year that begins more than three years after the

date of his or her graduation. Recipients of LRAP awards must reapply annually to continue to receive LRAP awards. However, the grant of an LRAP award for one year should not be construed a guaranty that an LRAP award will be made for any succeeding year.

2. Qualifying Employment

Qualifying Public Interest Employment is defined as a law-related public interest job. Law-related means that the position must substantially utilize the legal training and skills of the graduate. Public Interest is defined as employment in which the applicant's law-related work is primarily on behalf of economically disadvantaged or under-represented clients, groups, or organizations, and includes: (1) organizations that qualify for tax exemption under Internal Revenue Code sections 501(c)(3), (4) or (5); and (2) federal, state or local government agencies, provided the agency's work is focused on providing legal aid, legal services or criminal justice services to or on behalf of persons or organizations that could not otherwise obtain those services, or Indian tribes qualified under Internal Revenue Code section 7873(b). For the purposes of this program, full-time teachers, prosecutors and district attorneys, the self-employed, members of the military and judicial clerks are not considered engaged in Public Interest employment.

3. Income Eligibility and Calculation

A. Income/Financial Eligibility

Participation in the LRAP program is limited to applicants who expect to have a "modified gross income (MGI)" of \$40,000 or less during the year for which the award is made. Financial circumstances, including other assets available to the applicant for loan repayment, may also be taken into account in determining eligibility for participation in the LRAP program.

B. Calculation of Modified Gross Income

To determine an applicant's MGI, an applicant's gross income is adjusted to reflect dependents, spousal or domestic partner income, and prior educational debt. For purposes of this program, (i) "gross income" has the same meaning as in the Federal Internal Revenue Code, and (ii) "domestic partner" means an unmarried partner of the applicant who provides health benefits to, or receives health benefits from, the applicant.

i. Spousal or Domestic Partner Income

An applicant's MGI is the greater of (i) the applicant's individual gross income, and (ii) one-half of the sum of the applicant's individual gross income and the gross income of the applicant's spouse or domestic partner. In the event that both spouses/domestic partners are LRAP applicants, each spouse/domestic partner will be treated as having an MGI equal to one-half of the joint gross income.

ii. Dependents

MGI is reduced by \$6,000 for each dependent. If the dependent will not be claimed as such on the applicant's tax return, the applicant must supply The LRAP Committee with verification of the expenses paid on behalf of the dependent. In the event that both spouses/domestic partners are LRAP applicants, the reduction for dependents will be divided equally between the applicants. For example, if the couple has one dependent child, each applicant will have his or her MGI reduced by \$3,000.

iii. Prior Educational Debt

For the purpose of computing MGI, the gross income of both the applicant and the applicant's spouse or domestic partner is reduced by the amount each individual pays annually for prior educational debt up to \$5,000. LRAP awards may not be used to pay prior educational debt.

iv. Example

If the applicant's gross income is \$26,000, the gross income of the spouse/domestic partner of the applicant is \$40,000, and both the applicant and spouse/domestic partner annually pay \$5,000 for undergraduate debt, the applicant's MGI would be: $[(\$26,000 - \$5,000) + (\$40,000 - \$5,000)] = \$56,000/2 = \$28,000$. If the family had one dependent, the applicant's MGI would be \$22,000.

4. Award Calculation of Program Assistance

LRAP awards are based on a standardized monthly loan payment for the applicant's law school loans and on the applicant's actual monthly payment obligations for law school loans. If the sum of all LRAP awards to successful applicants exceeds the annual budget for LRAP awards, LRAP awards will be adjusted as explained under "Reduction for Budget Constraints" below. In no case will the amount awarded to any recipient for any year be greater than the recipient's actual annual payment obligations for law school loans.

A. Determining Standardized Monthly Loan Payments for Law School Loans

The standardized monthly loan payment for law school loans is calculated using a ten-year repayment period and an 8.25% interest rate. The following equation is used to calculate the standardized monthly loan payment:

$$\text{Standardized Monthly Loan Payment} = \text{Total Law School Loans} * 0.0122653$$

For example, if an LRAP Applicant has \$30,000 in law school loans, the applicant's monthly loan payment would be calculated as follows:

$$\text{Standardized Monthly Loan Payment} = \$30,000 * 0.0122653 = \$368 \text{ per month}$$

B. Determining Award

An applicant's annual LRAP award is determined by multiplying 12 by the lesser of (a) the applicant's Standardized Monthly Loan Payment (as calculated in paragraph 4.A above) and (b) the applicant's actual monthly payment obligation for law school loans; provided, however, that no applicant's annual award shall exceed \$5,000. Thus, for the example considered in paragraph 4.A above, the applicant's annual LRAP award would be the lesser of (a) $12 * \$368 = \$4,416$ and (b) 12 times the applicant's actual monthly payments for law school loans. LRAP awards are disbursed in two, substantially equal, semi-annual installments

C. Reduction for Budget Constraints

The LRAP Committee will set an annual budget for LRAP awards. If the sum of all the LRAP awards for the year exceeds the annual budget, the LRAP Committee may elect to: (a) limit LRAP awards to those applicants who demonstrate the greatest financial need and the strongest commitment to public service; and/or (b) effect a pro-rata reduction of the LRAP awards to successful applicants. If WPLIC elects to make a pro-rata reduction in awards, the LRAP Committee will use the following equation to determine the reduction factor:

$$\text{Reduction Factor (RF)} = \text{Budget/Sum of Awards}$$

$$\text{Reduced Award} = \text{RF} * \text{Award}$$

For example, if the LRAP award budget is \$15,000 for the particular year, and the LRAP Committee selects five participants who qualify to receive \$5,000, \$4,000, \$4,000, \$4,000, and \$3,000, the sum of these five awards (\$20,000) exceeds the budget by \$5,000. The LRAP Committee would calculate the reduced annual awards as follows:

$$\text{Reduction Factor} = \$15,000/\$20,000 = .75$$

$$\text{Participant 1 would receive: } .75 * \$5,000 = \$3,750$$

$$\text{Participants 2, 3 and 4 would each receive: } .75 * \$4,000 = \$3,000$$

$$\text{Participant 5 would receive: } .75 * \$3,000 = \$2,250$$

$$\text{The total awards given} = \$15,000$$

5. LRAP Loans and Forgiveness Terms

LRAP awards will take the form of forgivable loans evidenced by a note or notes executed by the recipient. LRAP awards will be disbursed in two, substantially equal, semi-annual installments and will not accrue interest for any period that the recipient is in Qualifying Public Interest Employment, unless the loans are in repayment pursuant to

Section 6 below. Following the end of the year for which the LRAP award was made, the loans will be cancelled if the recipient satisfactorily demonstrates to The LRAP Committee that all employment, income, and student loan payment obligations have been met.

Awards can be reduced at any time due to financial or employment changes. If the participant does not refund excess money received, the amount of the over award will not be forgiven at the end of the year.

Awards will not be cancelled until an application for cancellation has been received and approved. Once forgiveness for the loan is approved, the recipient will be notified by the LRAP Committee. Applications for cancellation must be submitted by May 1st of the year following the year for which the loan was made and must include: (a) verification of Qualifying Public Interest Employment throughout the year for which the LRAP award was provided; (b) W-2 forms and tax returns for the participant and the participant's spouse or domestic partner; and (c) any additional documents the LRAP Committee believes are necessary for employment, income and student loan payment verification. If a timely application for cancellation is not submitted, the loan will not be forgiven.

Willamette University College of Law does not take a position on whether or not LRAP forgivable loans are taxable. Recipients of LRAP forgivable loans should consult their tax advisors to determine whether LRAP forgivable loans are taxable.

6. LRAP Loan Repayment and Interest

Upon the earlier of (a) the termination of Qualifying Public Interest Employment or (b) notification from the LRAP Committee that an LRAP award is no longer eligible for forgiveness under the LRAP program, the outstanding LRAP loan balances will become due and payable on the terms set out in the note(s) executed by the award recipient. The term of repayment under any note will not exceed five years. The repayment period will begin on the first of January following the earlier of: (a) the date the award recipient ceases to be employed in Qualifying Public Interest Employment or (b) the date of the notification from The LRAP Committee that an LRAP award is no longer eligible for forgiveness. Interest on any loan in repayment will accrue at a rate of 9% per annum.

If recipients of awards are unable to complete their employment obligation due to layoff or other unforeseen circumstances, the LRAP Committee will consider a recipient's request to defer repayment or for an extension of time to apply for loan forgiveness on a case by case basis.

7. Program Administration; Application and Disbursement Procedures

The LRAP program will be coordinated by the Willamette Career Services office, which will distribute applications to interested individuals, collect completed applications and forward them to the LRAP Committee, maintain award and loan forgiveness documentation, and handle the day-to-day administrative tasks of the program. Among other things, the LRAP Committee will: (1) review applications to the LRAP program and

determine eligibility for participation; (2) make LRAP awards based on the procedures outlined above; and (3) consider requests for loan forgiveness from recipients of awards. The members of the LRAP Committee will be appointed by the Dean and may include Willamette College of Law faculty, administrators, and alumni working in the public interest sector. Decisions of the LRAP Committee and its designees on all matter related to the LRAP program are final. Willamette University's Business Office will administer LRAP funds at the direction of the LRAP Committee.

The LRAP program operates on a calendar year basis, with award installments being disbursed in February and July. The application deadline for awards for the 2009 calendar year is January 31, 2010. Inquiries about the LRAP program and applications for participation should be addressed to:

LRAP Loan Committee
Career Services Office
Willamette University College of Law
245 Winter St. SE
Salem, Oregon 97301-3916

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