



LOAN REPAYMENT ASSISTANCE PROGRAM (LRAP): **Requirements and Guiding Principles**

I. Program Description & Administration

A. LRAP Statement of Need

The DePaul University College of Law LRAP Committee was created to address the overwhelming barrier of educational debt that confronts law students who desire to work in public interest law. The LRAP Committee's mission is to examine the need for a debt assistance program at the College of Law and to create a plan that would alleviate the crushing burdens of law school debt. By reducing the pressures of law school debt, the LRAP Committee ultimately endeavors to encourage law students to seek careers in public interest law.

B. Loan Repayment Assistance Program Committee

The College of Law LRAP will be administered by the Loan Repayment Assistance Program Committee (Committee). The Committee will generally consist of one College of Law administrator (appointed by the Dean), two law faculty members, two law alumni currently working in or with significant past experience in public-interest-law work, and two law students with a commitment to public interest.

The Committee will guide the implementation of the program and will make awards to those eligible candidates who demonstrate the highest qualifications and the greatest financial need based on a financial need-to-debt ratio. The merits the Committee will consider include a demonstrated dedication to public interest law as evidenced by summer employment choices, present employment, long-term career plans, volunteer experiences, and organizational involvement. The Committee will use the candidate's written personal statements to aid in its evaluation of each candidate.

The principles of the LRAP, stated within, will bind the Committee. Any changes to the program structure or administration of the LRAP and/or the requirements and guiding principles set forth here must be approved by a majority vote of the Committee. Any disputes as to who may serve on the Committee shall be decided by the Dean of the Law School following full consultation with the Committee and any other parties, and consistent with the principles of the LRAP.

The duty of verifying the financial information of applicants shall be the duty of a Committee member other than a student member, preferably by the LRAP administrator.

C. The LRAP Fund

Depending on the funds available, the LRAP should typically assist 3-5 graduates per year. The ultimate goal of the LRAP is to eventually establish an endowment that would allow for the amount and number of awards to increase annually.

Applicants who are selected for an award must reapply for the award every year and will be eligible for a maximum of five years of LRAP awards. Funds available for LRAP in any given year may not be sufficient to accommodate all eligible applicants. The Committee will annually assess the amount of available funds and the target number of students the LRAP fund seeks to assist. Because new applicants may apply each year, previous awardees are not guaranteed awards in subsequent years.

LRAP scholarship awards will be a forgivable loan, which is intended for use as repayment of law school educational debt. The precise award amount will be determined on a sliding scale formula. This formula will ensure that award recipients in the most need will receive the most assistance.

Eligibility will be based on the following factors – 1) employment in a qualifying public interest position, 2) income/financial status, 3) law school educational debt, and 4) a demonstrated dedication to public interest law. In addition, the LRAP Committee will review an applicant's overall debt profile and may make an award based on whether it will facilitate the program's goals. In no case will an award be made to satisfy non-law-school debt obligations.

Awardees will execute a promissory note as required by the College of Law. If the awardees continue to meet all eligibility criteria through the end of the calendar year of the award, the loan will be canceled. Applicants and awardees are required to submit copies of current federal income tax return(s). Awardees have a duty to report any changes in employment, financial status, or any other development that would alter their eligibility. Awardees who do not complete the year in a public interest position must pay back a pro rata amount of the LRAP award to the College of Law. Persons found to violate the rules of the program will be responsible for repayment of the loan amount plus current APR.

It is the duty of the LRAP Committee to annually review the growth and needs of the program and propose changes in the number and amount of grants to be awarded. An annual reassessment by the Committee may result in amendments to the LRAP structure, the amount of awards, number of awards, and eligibility requirements.

II. Timetable

Eligibility for assistance will be based on the applicant's employment, income and debt load during the year(s) of work following graduation.

- A. Eligible participants must apply each year for LRAP awards. The LRAP process follows the same annual schedule. Applications for awards and accompanying documentation must be postmarked by **April 15 of the calendar year**. Any applications that are not postmarked by **April 15** or are received incomplete in form or documentation will not be considered.

- B. The Committee will review all timely and completed applications. Award recipients will be selected by **the end of May**. Payment of LRAP awards will be issued **by June 30** of each year.

III. Eligibility

A. Eligible Candidates

Any person who has earned a Juris Doctor degree from DePaul University College of Law and who works in a qualifying public interest job may apply for an LRAP award.

B. Qualifying Employment

Qualifying employment is defined as law related public-service employment in (a) a nonprofit organization qualifying for tax exempt status under Section 501(c)(3) or Section 501(c)(4); or (b) government service, excluding judicial clerkships; or (c) any other public service organization that is approved by the Committee. Priority will be given to those who provide legal services to underserved, low-income or disadvantaged individuals or groups.

“Full time” is defined as – paid employment for 35 or more hours per week. Full-time individuals on paid or unpaid maternity leave, parenting leave, or care leave of a partner or parent are considered full-time for a maximum period of 3 months.

“Part-time” is defined as – paid employment for at least 20 hours per week. Applicants working part-time but seeking full-time employment will be allowed to participate in the Program for part-time employees.

The Committee has the discretion to accept or reject qualifying employment. The Committee will be bound by the principles of the LRAP program and the mission statement of the College of Law Public Interest Law Program. Disagreements within the Committee will be settled by majority vote.

C. Financial Eligibility

The Committee does not set forth any income maximum for eligibility. However, an applicant’s financial need will be an important consideration. Factors that may be taken into consideration to determine need include: number of children, alimony payments, child support payments, the educational debt of the applicant, any educational debt of their spouse/partner, and whether the applicant’s employment qualifies for government, state or other loan repayment assistance.

D. Educational Indebtedness

A recipient's total educational indebtedness is based upon private and/or public loans acquired for law school educational purposes that include, but are not limited to:

- Federal Subsidized Loans
- Federal Unsubsidized Loans

- Private Law School Loans
- Bar Review and General Bar Loans

All law school related loans must be documented and from a recognized lender. Loans from family members or other personal lenders will not be considered in the applicant's educational indebtedness total, nor will personal debt, such as credit card debt.

E. Subsequent Ineligibility and Loan Repayment Obligations

In order to remain eligible, awardees are responsible for notifying the Committee of any change in their employment or income status during the year following an award. Failure to notify the Committee will result in termination of eligibility for the LRAP and may require repayment of the LRAP award to the Committee.

If the participant's adjusted gross income (AGI) substantially increases during the award year or if the participant becomes otherwise ineligible during an award year, the participant may be obligated to repay the LRAP loan received subsequent to the period of ineligibility. The repayment will be based on an annual prorated amount. Repayment may be made in one of the following ways:

If a participant applies and is deemed eligible for the LRAP award for the year following the increase in income or change in circumstances that resulted in their ineligibility, the award for that year may be decreased by the amount of award overpayment in the program year during which the AGI increase occurred. During the program year, when the AGI increase occurs, the program participant may elect to make one lump sum repayment to the program for the total amount (based on annual prorated amount of days the participant's excessive AGI makes the participant ineligible) plus current APR (interest applied for period of ineligibility). The participant may also opt – upon approval by the Committee – to repay the prorated amount plus current APR back to the program over a period not to exceed two years. Should an awardee fail to inform the Committee of such a change of circumstances, a 10% penalty may be assessed in addition to the repayment amount owed.

IV. Relevant Tax Provisions

LRAP awards will be given as forgivable loans, not grants. Thus, the LRAP fund will essentially refinance the participant's debt. At the end of the Program year, the LRAP Award will be forgiven. There are tax advantages to distributing funds as forgivable loans rather than as grants. Under the Taxpayer Relief Act of 1997, LRAP loans are not taxable as income. An LRAP grant award, however, would incur a tax liability. The applicable provision, Internal Revenue Code §108 (f), exempts from taxation student loans that are canceled for citizens in public service employment. There are three key elements of 26 U.S.C. § 108 (f):¹

- Qualifying Recipients: Recipients must be employed in a governmental unit—federal, state or local—or by a nonprofit 501 (c)(3) or a 501 (c)(4).
- Qualifying Loans: The award must be made in the form of a loan to be canceled, a “forgivable loan,” instead of a grant. Generally the loan refinances the original educational loans taken when the individual was a student. In other words, the law school will grant a loan to the

¹ This material is taken from *Action: Creating Law School Loan Repayment Assistance and Public Interest Scholarship Programs*, National Association for Public Interest Law, p. 14. 2000

participant so the participant can pay his/her student loan. The participant must in turn stay in qualifying employment for one year, at the end of which the loan will be forgiven.

- Qualifying Lenders: The award must be made by an educational institution or by a tax-exempt organization. Further, the recipient cannot be employed by the organization making the loan.

DePaul College of Law LRAP Application Checklist

A complete LRAP application package will include the following:

- Application form (available online at www.law.depaul.edu)
- A short statement describing (1) financial need; (2) how the LRAP will be of assistance; and (3) the applicant's commitment to public interest law
- A short statement describing the nature of present and relevant past employment
- A current resume
- Employment verification form, including full-time/part-time status, form completed and signed by all employers
- One recommendation letter from an employer or coworker
- Copies of current primary loan statements and payment schedules from all law school loan sources (official lenders recognized by the College of Law)
- Copy of your current federal income tax return including all schedules and attachments. (Those who are married and filed separately must also attach their spouse most recent federal income tax return, including all schedules and attachments. If applicable, also attach your domestic partner's income tax return.)
- A copy of birth or adoption certificate if a dependent was born/adopted after the most recent tax filing.

Applicants will be considered annually and must apply and establish eligibility annually.