

# Loan Repayment Assistance Program of MN Program Guidelines

## Introduction

The philosophy of the Loan Repayment Assistance Program of Minnesota (“LRAP” or “LRAP-MN”) is to support and assist graduates choosing employment in the public interest, and to assist public interest organizations in retaining experienced lawyers. Implementation of this philosophy directs benefits to applicants who would otherwise be unable to afford to work in qualifying employment because of low income coupled with high student loan debt.

The award calculations in these *Guidelines* have been designed to leverage the income-driven repayment and Public Service Loan Forgiveness (“PSLF”) programs of the College Cost Reduction and Access Act of 2007<sup>1</sup> (“CCRAA”), and are based upon the following core principles:

1. **Long-term Commitments.** Encourage recipients’ long-term commitments to public service, both as a benefit for the providers and clients whom they serve, and as a means to better enable recipients to take advantage of PSLF, the 10-year loan forgiveness component of CCRAA.
2. **Effective Awards.** Maximize the effectiveness of LRAP awards by using them to supplement the benefits of CCRAA.
3. **Avoid “Overpayments.”** Avoid awards to recipients in excess of income-driven repayment amounts, except in instances where need can be clearly demonstrated, such as for private education loan payments.
4. **Establish the Continuing Need.** Enable LRAP’s ability to tell a compelling story to potential donors about the continued need for, and even added value of, LRAP awards in light of CCRAA and similar programs.
5. **Make the Formula “Workable.”** Maintain traditional transparency and objectivity in the award process, as well as acceptable levels of predictability and relative ease of administration.
6. **Assist Current Recipients.** Maintain levels of awards for current recipients at or near the levels current recipients rely on.

LRAP-MN accepts applications twice per year. The full award year is July 1 through June 30. An applicant must fit into one of the categories listed below. Specific criteria are found elsewhere in these *Guidelines*.

- a) A Minnesota law school graduate working full-time for a qualifying public interest agency.
- b) A law school graduate working full-time for a qualifying public interest agency located in Minnesota.

---

<sup>1</sup> Public Law 110-84, September 27, 2007

In order to be awarded an LRAP-MN award, applicants must submit the application form and supporting materials requested by the LRAP-MN Board of Directors. All of this information will be confidential.

### **Section I: Eligible Law School Graduation**

Applicants must have graduated (by the time LRAP-MN award payments begin) from one of Minnesota's law schools: Mitchell Hamline School of Law, University of Minnesota, or University of St. Thomas School of Law. Each school will be awarded at least one award per cycle, when a qualified application is received from a graduate of that school. Applicants employed at a qualified Minnesota agency (as detailed below) who are not graduates from a Minnesota law school must be graduates of an American Bar Association accredited law school.

### **Section II: Qualifying Employment**

Applicants must document full-time employment at a 501(c)(3) or 501(c)(4) nonprofit organization<sup>2</sup> by the time LRAP-MN payments begin.

LRAP-MN awards are reserved for legal services for low-income clients to meet basic needs. Applicants must also meet one of the following descriptions:

- A. Applicant and agency provide direct legal services:
  - 1. the applicant must work in a qualifying agency;
  - 2. the qualifying agency's primary function must be to provide legal advice or representation based on financial eligibility criteria; and
  - 3. the applicant's primary function must be to provide legal advice or representation based on financial eligibility criteria.
- B. Applicant and agency provide support services to other qualifying agencies that provide direct legal services to low-income and disadvantaged populations:
  - 1. the applicant must work in a qualifying agency;
  - 2. the qualifying agency's primary function must be to provide support services to other qualifying agencies providing direct legal services (e.g., Minnesota Justice Foundation, qualifying pro bono programs, etc.); and
  - 3. the applicant's primary function must be to provide support services to the other qualifying agency providing direct legal services.
- C. Applicant provides support services within an agency that provides direct legal services to low-income and disadvantaged populations:
  - 1. the applicant must work in a qualifying agency;
  - 2. the qualifying agency's primary function must be to provide legal advice or representation based on financial eligibility criteria; and
  - 3. the applicant's primary function must be to provide support services within the qualifying agency.

---

<sup>2</sup> Returning recipients working in other types of organizations, such as governmental entities, may be eligible for LRAP Minnesota as long as they remain employed with the organizations listed on their 2013-2014 applications.

- D. Applicant provides direct legal services, while agency provides other services to low-income or disadvantaged populations:
1. the applicant must work in a qualifying agency;
  2. the qualifying agency's primary function is the provision of services, other than legal services, to low-income or disadvantaged populations; and
  3. the applicant's primary function must be to provide legal advice or representation based on financial eligibility criteria.

To verify qualifying employment, applicants must submit the Employment Verification form, included in the application materials.

When legal assistance programs reduce a full-time position to part-time due to financial or other circumstances, renewing recipients whose hours have been involuntarily reduced may still re-apply, noting these circumstances.

### Section III: Other Qualifications

The income caps in the chart below apply based upon the applicant's years of experience. An applicant who received an LRAP-MN award in the immediately preceding award cycle may request an exemption from the income cap. If an exemption is granted, LRAP reserves the right to cap any award or adjust any award to a lower percentage of income-driven repayment amount covered.

<u>Years of Experience in Qualifying Employment</u>	<u>Applicant's Gross Income From All Sources</u>
0-2	\$55,000
3-5	\$59,000
6-8	\$63,000
9-11	\$67,000
12-15	\$69,500

Because LRAP is intended to be a program of last resort, the amount of loan repayment assistance provided by LRAP-MN may be reduced by the amount of an applicant's assets that exceed the applicable Asset Cap listed below. **Excluded** from consideration are home, car, farm (if it is applicant's residence), and retirement accounts (e.g., IRAs, pensions, etc.). Only one home and one car per licensed driver is excluded. The applicant is not required to live in the home. Applicants with non-excluded assets in excess of the asset cap must submit an additional form with each application. Applicants should contact LRAP MN to request the form.

<u>Years of Experience in Qualifying Employment</u>	<u>Asset Cap</u>
0-2	\$18,000
3-5	\$20,000
6-8	\$22,000
9-11	\$24,000
12-15	\$26,000

LRAP requires that an applicant be an attorney to qualify for an award; however, the LRAP Board will follow the policy of the applicant's employer regarding bar passage requirements (e.g., allowed to take the bar exam three times).

As LRAP is intended to be a program of last resort, applicants eligible for loan repayment funds from other sources (i.e., Equal Justice Works fellowships, law school programs, etc.) must apply to these programs for assistance. Repayment assistance provided by other sources will offset the amount of loan repayment assistance provided by LRAP-MN. LRAP-MN has a special partnership with the Minnesota law schools. Loan repayment assistance funds from Minnesota law schools will not offset the amount of loan repayment assistance provided by LRAP-MN. In instances where a determination of ineligibility is a requirement for eligibility for another program, formal notification of ineligibility will be provided in writing to the applicant.

#### **Section IV: Educational Debt Which May be Included in LRAP-MN Award Application**

Undergraduate and law school debt; debt incurred in joint degree programs, where one degree is a juris doctor; and bar study loans may be covered. Priority will be given to assistance with federal education loans, but other institutional loans used for educational expenses may be covered under LRAP-MN. Loans from family and other private sources are not eligible.

#### **Section V: LRAP-MN Benefit Calculation**

To facilitate participation in Public Service Loan Forgiveness, LRAP aims to assist with income-driven repayment amounts associated with income from qualifying employment. Qualifying employment is defined in Section II.

Applicants are expected to consolidate their federal education loans with the Federal Direct Loan Program, unless their loans are already with the Direct Loan Program, and to select as their repayment option an income-driven repayment plan such as Income Based Repayment ("IBR") or Pay As You Earn ("PAYE").

Where income-driven monthly payment amounts are based solely on an applicant's income from qualifying employment, LRAP assistance will be based upon the applicant's monthly payment amounts subject to the Potential LRAP-MN Contribution (outlined below). Applicants will be required to submit documentation verifying income-driven monthly payment amounts.

In all other circumstances, awards for assistance with federal education loans will be based on Calculated Income Based Repayment monthly payment amounts subject to the Potential LRAP-MN Contribution (outlined below). For Calculated Income Based Repayment, an applicant must complete a modified IRS Form 1040 as part of the application. Calculated Income Based Repayment will include IBR's threshold determination of "partial financial hardship."

A Potential LRAP-MN Contribution is calculated for each applicant. This amount is the **maximum** amount of the applicant's loan repayment burden for which LRAP-MN would pay benefits. As outlined below, the Potential LRAP-MN Contribution takes into account the applicant's years of experience in qualifying employment and her actual or calculated income-driven payment amount.

<u>Years of Experience in Qualifying Employment</u>	<u>Potential % of Payment Covered</u>
0-2	80%
3-5	85%
6-8	90%
9-15	95%

LRAP-MN reserves the right to adjust the calculation for all applicants in response to the availability of resources in any given year. This may include ranking applicants according to years of experience in qualifying employment.

Assistance with non-federal education debt will be considered separately after awards for federal education loans have been determined.

**Section VI: Selection of LRAP-MN Benefit Recipients**

Selection of recipients will be made by the Awards Committee of the LRAP-MN Board of Directors according to the above stated criteria, subject to ratification by the Board. ***LRAP-MN reserves the right to identify additional selection criteria, subject to Board approval,*** and to request additional information from applicants.

**Section VII: Notification to LRAP-MN Applicants**

All applicants will be notified by mail of the results of their application. Those applicants who are selected as benefit recipients will be mailed information and instructions with their award notification.

**Section VIII: Benefit Disbursements to LRAP-MN Recipients**

Awards are provided in the form of quarterly forgivable loans. These loans are intended to be tax-free to recipients upon their discharge (forgiveness) following completion of a period of service and proof that the loan was used to repay the recipient’s Qualifying Student Loans. Each loan is approved separately prior to issuance. Approved loans will run from the first day of a calendar quarter to the last day of that quarter. Loans will be forgiven following each calendar quarter, provided the recipient provides proof he or she has remained in qualifying employment through the quarter and shows proof that the LRAP loan was used to repay his or her Qualifying Student Loans.

**Section IX: Renewal of Benefits**

LRAP-MN recipients may apply for renewal of their benefits on an annual basis for up to fifteen (15) years after entry into the program or until the year in which the educational loans are repaid in full, whichever occurs first. The receipt of benefits in one award cycle is not a guarantee of receiving benefits in subsequent cycles.

In order to be considered for renewal benefits in a subsequent award cycle, recipients must submit an application.

**Section X: Eligibility Changes**

Where income-driven monthly payment amounts are based solely on an applicant’s income from qualifying employment, applicants must notify LRAP of a change in income-driven monthly payment amount within ten days of the change.

In all other circumstances, applicants must notify LRAP of any change in income within ten days of the change.

If a current recipient changes employment to another Qualifying Agency or moves to a different position in the same Qualifying Agency during an award cycle, the recipient's eligibility will be reviewed by the Executive Director.

If qualifications are still met, the recipient may continue receiving LRAP assistance. If qualifications are not met, the award will be terminated at the time of the change. To receive benefits in the following year, the recipient will have to reapply and be considered along with new applicants.

### **Section XI: Leave of Absence Policy**

In the case of parental or disability leave from a Qualifying Agency, a recipient may apply for a Leave of Absence (LOA) from LRAP-MN of up to six months. During the LOA, a recipient may receive up to three months of full LRAP award benefits paid as a loan. A recipient may apply for an additional three months of leave without benefits while still remaining in the program. At the end of the six months, if the recipient returns to full-time Qualifying Employment, the loan becomes a grant. If the recipient does not return, s/he is terminated from the program and the money received during the LOA must be repaid on a schedule to be worked out with the Executive Director. Leaves for other than parental or disability needs will be decided on a case by case basis upon recommendation of the Awards Committee with approval by the LRAP Board of Directors.

### **Section XII: Dispute Resolution**

Disputes concerning any decision made by the Executive Director or the Awards Committee may be reviewed by the LRAP-MN Board of Directors upon request of an applicant or LRAP-MN recipient.