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## I. INTRODUCTION

This booklet describes Brooklyn Law School's Loan Repayment Assistance Program (LRAP). It is a comprehensive policy guide for students and graduates who wish to pursue public interest careers, but need help in dealing with their law school debts. It explains how Brooklyn Law School will provide that help through its postgraduate loan program.

The program is designed to provide uniform rates, policies, and procedures so that benefits are awarded as fairly and consistently as possible. In the process, we have tried to strike a balance between the need for documentation and careful review by the School and the efficient provision of benefits to our graduates.

### **The Program in Brief**

To assist Brooklyn Law School graduates who enter qualifying public interest employment in repaying their law school educational debt, the Loan Repayment Assistance Program provides financial assistance in the form of loans from the Law School. The LRAP Loans must be used by the graduate to service student loan debt. LRAP allocates semiannual funding to graduates for up to five years following program entry, provided that all eligibility requirements are met. A graduate's LRAP benefit may be as much as \$7,000 a year, allowing participants to receive up to a total of \$35,000 in assistance with their loan repayment. The annual award is based on either the total amount of the participant's annual payments using the Income Based Repayment Calculator (<http://ibrinfo.com>), or \$7,000, whichever is less. The Law School will forgive 100% of the LRAP Loan principal and accrued interest at the end of each and every full year of participation.

Eligibility for participation in the LRAP Program is based on a graduate (1) submitting a timely application, (2) satisfying a minimum debt requirement, (3) entering and remaining in qualifying employment, (4) annually reporting a qualifying income level, and (5) maintaining a financially sound record in repaying all educational loan debts.

Basically, here is how the program works.

Brooklyn Law School will calculate the total amount of assistance that a graduate is eligible to receive in the first year of program participation. Following a formula outlined below, we will determine the graduate's qualifying tuition debt by computing the sum of money borrowed to pay for total tuition charged by Brooklyn Law School, less all scholarships and grants awarded by the School and outside sources and less the expected student contributions calculated at the time of application for need-based financial aid. This qualifying tuition debt will be the amount considered

for loan repayment assistance coverage under the LRAP Program. Assuming the graduate remains in the program for the maximum five-year period, the Law School will divide the qualifying tuition debt by five to determine the annual amount of the LRAP Loan, not to exceed \$7,000 or the participant's annual loan payment using the Income Based Repayment Calculator ( <http://ibrinfo.com> ), whichever is less. The loan will be paid out in two equal, semiannual installments directly to the graduate. In return, the graduate will promise to repay that LRAP Loan in full, plus accrued interest, and to meet all terms and conditions of the program. But if the graduate completes the year of participation in good standing, that annual total LRAP Loan will be forgiven. Although interest will begin to accrue from the date of the initial loan installment -- at the rate of 5% per annum -- it too will be forgiven along with the principal upon completion of the year.

The graduate then will be required to reapply the next year (and each subsequent year) for another loan of the same amount, and if eligibility continues, the award and forgiveness process would be repeated. In all, an eligible graduate may participate in the LRAP Program for a maximum of five years.

In the case of a graduate who leaves qualifying employment before the end of any participation year for which a LRAP Loan has been made, the Law School will forgive a portion of the indebtedness (total loan amount plus interest accrued to date) calculated as a percentage of the year of eligible employment completed. The entire remaining outstanding balance will become immediately due and payable.

## **II. EMPLOYMENT REQUIRED BY THE PROGRAM**

The program provides assistance to graduates engaged in public interest activities. Employment is limited to nonprofit, public interest organizations that qualify for tax exemption under Section 501(c) (3) of the Internal Revenue Code and provide legal services to indigent persons, the disabled, the homeless, the elderly, juveniles, non-English speaking persons, those deprived of civil or human rights, or dealing with the protection of the environment or animals. Some examples of qualified public interest organizations are The Legal Aid Society, other private, nonprofit public defender offices, Legal Services Offices, Battered Women's Centers, Lawyers for Children and the American Civil Liberties Union.

Graduates who are employed as government employees, including government-funded public defenders, prosecutors and district attorneys, judicial clerks, or members of the Armed Forces, are ineligible to participate in LRAP. Other examples of ineligible employment include lawyers working for union-sponsored, fee-paid legal services programs and attorneys employed by private practice law firms where the practice is limited to clients comparable to those served by non-profit legal services offices.

In all cases, final determination of whether or not a particular job satisfies the public interest employment qualification shall be made by the Dean of the Law School.

### **Holding A Law-Related Job**

A graduate's employment must be law related as a condition to qualifying for assistance. Employment is limited to jobs that require a J.D. degree and make direct use of the graduate's legal education. Thus, a person working as a paralegal clerk in a legal services office will not be eligible for LRAP assistance.

### **Bar Admission**

Participants are required to gain admission to the bar within 12 months of entering LRAP, in order to remain eligible to continue in the program.

### **Full-time Work**

The fiscal soundness of LRAP demands that participants make a reasonable effort to repay their own debts. Participants are therefore required to work in a qualifying job at least 35 hours per week. If a participant is found in violation of the full-time work requirement when employment status is re-confirmed in mid-year, the person will be permitted to remain in the program only for the duration of that award year and his or her LRAP award for the second half of the year will be prorated based on the number of hours per week the participant is actually working. At the conclusion of the award year, the participant will be dropped from the program unless full-time employment has been resumed.

## **III. QUALIFYING INCOME LEVELS**

Income is a major determinant of eligibility for LRAP assistance. In order to enter and remain in the program, graduates cannot exceed a specified qualifying income level (Qualifying Income). Qualifying Income is computed as a graduate's total income adjusted for certain factors explained on the next few pages.

Based upon the program's underlying mission, the Law School restricts eligibility to graduates who take low paying, public interest jobs -- primarily Legal Aid and Legal Services staff attorney employment.

### **Entry Cap**

In accordance with this policy, **the maximum Qualifying Income for a new graduate seeking initial entry is currently set at \$53,015 per annum.** This is commonly referred to as the "entry cap."

The only exception to the \$53,015 entry income cap would be for people who are submitting their first application for LRAP benefits one or two years after graduating from law school. For those who graduated one whole year prior to applying, the entry income cap is \$54,096. For a person who wishes to start the program two years after graduation, the entry income cap is \$56,696. These “delayed” entry income caps are applicable, however, only if the graduate has been working during those years in a qualifying public interest job. In other words, a person who went straight into the private sector for a year or two after law school, and then enters qualifying employment and immediately applies for LRAP benefits, is not eligible for a delayed entry income cap and must, instead, satisfy the basic 1<sup>st</sup> Year cap of \$53,015.

### **Continuation Caps**

The income cap will increase, as detailed below, for each subsequent year that the graduate participates in the program, to allow for cost-of-living salary raises. These steps are commonly referred to as “continuation caps.” Graduates earning incomes exceeding the cap that is in effect for their upcoming year of participation are ineligible for continued LRAP assistance. The current continuation cap schedule is listed below. Bear in mind, however, that the schedule is effective only for this application year. All salary caps are reviewed annually by the Law School and are subject to change at that time.

<b><u>Year of LRAP Program Participation</u></b>	<b><u>Maximum Qualifying Income</u></b>
Applying for 2 <sup>nd</sup> Year	\$54,096
Applying for 3 <sup>rd</sup> Year	\$56,696
Applying for 4 <sup>th</sup> Year	\$61,222
<u>Applying for 5<sup>th</sup> Year</u>	<u>\$63,605</u>
*Applying for 6 <sup>th</sup> Year	\$68,293
*Applying for 7 <sup>th</sup> Year	\$71,270

\*Continuation caps for participants subject to “delayed” entry income caps.

For example, a person applying for a fifth and final year of LRAP benefits would need to show a Qualifying Income at or below \$63,605 in order to remain eligible for those benefits.

Graduates who initially enter the program under one of the two delayed entry income caps would need to satisfy the next highest salary cap for the start of their

second year in LRAP, and so on through the income steps for each succeeding year of participation, as set forth by the Law School.

#### **IV. DETERMINATION OF QUALIFYING INCOME**

For purposes of determining Qualifying Income, the Law School begins with the applicant's Total Income as reported on his or her most recently filed U.S. Individual Income Tax Return (line 22 on Form 1040, line 14 on Form 1040A, line 5 on Form 1040 EZ). The applicant must also submit an Employer Certification Form, completed by the employer, indicating dates of employment, job title and annual salary. Wherever appropriate, the Total Income is adjusted **upward** to account for a spouse's income, non-taxable income, assets held by the applicant or spouse, charitable contributions, and benefits received from other loan repayment assistance programs. The Total Income is adjusted **downward** to allow for qualified exemptions, medical expenses, and undergraduate educational debt repayment. A LRAP applicant's Qualifying Income is computed as the Total Income **plus** or **minus** any of these adjustment factors that apply to the applicant. Each of the approved adjustment factors is explained below in detail. No other factors are given consideration.

##### **Spousal Income**

When deciding whether a married graduate's income falls within the program's eligibility guidelines, the Law School considers spousal income if the spouse's name is entered on the graduate's federal tax form. In such cases, Qualifying Income is determined by using the higher of the graduate's Total Income or 50% of the couple's joint Total Income. If a married couple files separately, the sum of both of their Total Incomes divided by two will be considered. In the event that both spouses are Brooklyn Law School graduates and both are LRAP applicants, they are treated as unmarried when calculating Qualifying Income; in other words, each spouse is eligible for assistance provided that each of them has a Total Income at or below the income cap in effect for each.

*Additions To Total Income:*

##### **Non-Taxable Income**

The amount of any tax-exempt interest, such as from municipal bonds, or any exempt-interest dividends from a mutual fund or other regulated investment company are added to the Total Income used to determine the graduate's Qualifying Income.

##### **Assets Held By Graduates Or Spouses**

Consistent with a policy that graduates should service their law school debt before accumulating assets, the program takes assets into account in determining eligibility. LRAP applicants are annually required to report on their application form the current value of their gross assets, including savings, checking, and money market accounts and any other liquid cash-type accounts; other intangible personal property such as stocks and bonds; tangible personal property, including an automobile, jewelry and any collectibles; and real property, which is the equity owned (total value of property, less the outstanding mortgage) for a house, land, cooperative apartment, condominium, etc. For married applicants, the same information is required from the spouse. In assessing these things, the Law School calculates Qualifying Income for LRAP assistance by imputing income to the total value of assets held by the graduate (and spouse) at a 5% rate, and adding that imputed sum to the Total Income reported on the graduate's federal tax form. The standard 5% imputation is applied to all assets, regardless of whether any of them are non-income producing or virtually so.

### **Gifts To Charity**

The Law School takes the position that it is inappropriate for a graduate to accept LRAP benefits while simultaneously contributing money to a charity. Persons making sizable gifts to charity might well be able to service their debts without the School's assistance. Small cash contributions, i.e., less than \$250 per annum, are of no concern. However, the amount of a charitable gift by cash or check of \$250 or more -- less \$250 -- is added back to the Total Income used to determine the applicant's Qualifying Income. Contributions of property, such as clothing or furniture, with a fair market value of \$500 or less are also ignored. However, if the amount of the deduction exceeds \$500, that amount -- less \$500 -- is added back to the Total Income. We make the assumption that such valuable property could have been sold to a buyer, with all proceeds from the sale used to pay down the person's loan debt.

### **Benefits From Other Loan Repayment Assistance Programs**

Whenever possible, graduates are expected to take advantage of other loan repayment assistance programs, such as those offered by some states, bar foundations, fellowships, or employers, before pursuing Brooklyn Law School LRAP benefits. The Law School does, however, treat these outside benefits as income and adds their yearly amount to the Total Income used to determine the graduate's Qualifying Income. Graduates are required to inform Brooklyn Law School of whether they are eligible to participate in any other LRAP, must apply to participate, and, if accepted, must inform the Law School in writing of the amount they have received or will receive. This information is required each time a person applies for a LRAP Loan.

### *Subtractions From Total Income:*

#### **Exemptions For Dependents**

In determining income eligibility, the Law School permits LRAP applicants to take exemptions for dependent children who are under the age of 19. Older children, even if they are full-time students, are disallowed. Furthermore, no exemptions for spouses or other dependent family members are available. Although there is no limit on the number of children allowed, the children are approved as eligible dependents only if their names appear in the exemptions section of the U.S. Individual Income Tax Return Form 1040 or 1040A submitted by the applicant for LRAP assistance. The School deducts \$3,300 for each qualifying child. (This amount is annually fixed to the prevailing deduction permitted by the IRS.) The sum of these deductions is subtracted from the Total Income used to determine the applicant's Qualifying Income. Child care expenses are not deductible.

#### **Medical Expense Deduction**

Medical deductions allowable for tax purposes are recognized as essential expenditures and are deductible. If examination of a LRAP application for entry or renewal benefits indicates substantial medical or dental expenses, the Law School will subtract from the applicant's Total Income the part of the medical/dental an expense that was permitted as a deduction on the applicant's federal tax form. Currently, the IRS allows a deduction for only that part of an individual's acceptable medical and dental expenses that exceeds 7.5% of the adjusted gross income. In verifying the legitimacy of the deduction, the Financial Aid Office is guided by IRS instructions regarding medical and dental payments a person may and may not deduct. If the deduction does not appear on the tax form submitted with the LRAP application -- or if it appears but is deemed impermissible -- the applicant's request for such a deduction from his or her Total Income will normally be disallowed.

#### **Undergraduate Education Debt**

Although the Law School does not undertake to forgive debts incurred to finance undergraduate education, it takes a LRAP applicant's certifiable undergraduate debt burden into account when determining eligibility for participation in the program. In calculating Qualifying Income, the School will subtract from the applicant's Total Income the entire annual payment made to service specific undergraduate debt. In the case of a married LRAP applicant whose spouse also has educational debt, the Law School will additionally deduct 25% of the spouse's certifiable annual undergraduate debt service from the Total Income reported by the applicant in calculating Qualifying Income. If half of the married couple's joint Total Income is

used as the Qualifying Income, the spousal undergraduate debt service deduction is subtracted from that sum. All of these deductions are restricted to certifiable undergraduate loan repayments through the Federal Family Education Loan Program, which includes subsidized Federal Stafford Loans, unsubsidized Federal Stafford Loans, and Federal Consolidation Loans, as well as the Federal Perkins Loan Program. The costs of servicing other types of loans for undergraduate education, loans for graduate or professional degrees, family or personal loans, and loans for other than educational purposes, are not eligible for this deduction, regardless of the terms and obligations of those loans. [NOTE: the applicant (and spouse) must provide a detailed accounting of all loans included in a Federal Consolidated Loan.]

**In summary,** Qualifying Income is calculated as the sum of:

- **Federal Total Income** (if married, the higher of the graduate's total income or 50% of the couple's joint total income).
- *Plus* the amount of all non-taxable income.
- *Plus* 5% of the value of the graduate's (and spouse's) gross assets.
- *Plus* the amount of all charitable gifts, less \$250 for cash contributions and less \$500 for contributions of property.
- *Plus* the amount of all annual benefits received from other loan repayment assistance programs.
- *Minus* \$3,300 for each qualifying child under the age of 19.
- *Minus* medical expenses that exceed 7.5% of the graduate's (and spouse's) federal adjusted gross income.
- *Minus* 100% of the graduate's annual debt service on certifiable undergraduate education loans and, if married, 25% of the spouse's annual debt service on the same type of loans.

## V. LAW SCHOOL DEBT REQUIREMENT

Participation in LRAP requires that a graduate satisfy a minimum law school debt requirement at the time of initial application to the program. Eligible graduates must have a minimum debt equal to the sum of the full amount of the Stafford Loans (both subsidized and unsubsidized) that were available while the graduate was a law student. If, for example, a student attended Brooklyn Law School for three years and was eligible to borrow up to \$20,500 annually in Stafford Loans, that

person would need to have an aggregate qualifying loan debt of at least \$61,500 (\$20,500 x 3 years) at the time of initial application for LRAP benefits. The School makes the assumption that a graduate with debts below the minimum level does not need as much assistance in servicing the loans -- regardless of current income -- as the graduate who was compelled to borrow maximal loans each year. [NOTE: Although Stafford Loan amounts are used to define the standard of measure, any combination of the approved loans denoted below may be applied to satisfy the minimum debt requirement.]

### **Approved Loans**

For satisfying the minimum debt requirement, only loans approved by the Law School are considered. These include subsidized and unsubsidized Federal Stafford Loans, Federal Graduate Plus Loans, Federal Perkins Loans, Brooklyn Law School Tuition Financing Program Loans, and private educational loans from recognized lenders. Personal loans and loans from family members are not eligible loans.

Law school debt is limited to loans for the J.D. degree; no consideration is given to LL.M. and S.J.D. loans. Personal loans from banks, family members or friends, even when used to pay law school tuition, are not considered under the program. Other loans not considered are commercially available educational loans unapproved by the Financial Aid Office, bar exam loans, loans borrowed by parents or other individuals to finance a student's law school education, credit card loans, or any of the School's emergency loans that are typically made to help a student pay unanticipated expenses beyond our standard student budget.

For students who were enrolled in one of our joint degree programs, only the Brooklyn Law School portion of the joint degree tuition debt is considered. For any student who attended and paid tuition at another law school while earning the J.D. degree Brooklyn Law School conferred, i.e., those who transferred into BLS or visited elsewhere, only loans borrowed to pay tuition directly to Brooklyn Law School are considered. In this regard, at least two-thirds of law school credits toward the J.D. must be completed at Brooklyn Law School in order for a person to be eligible for LRAP assistance.

Finally, the program provides no direct repayment assistance for loans for undergraduate degrees, graduate degrees, or other professional degrees.

### **Loan Defaults**

Eligibility to enter LRAP requires that a graduate's education loan payments be current. Once in the program, participants are responsible for continuing to make all loan payments in a timely manner and complying with all processing requirements of educational loan lenders and servicers, including Brooklyn Law School. Failure to keep loan accounts in good standing with lenders could result in termination of

eligibility for LRAP benefits. Furthermore, LRAP participation is barred to anyone with an outstanding balance on a Brooklyn Law School account. For a participant who becomes delinquent or defaults on an educational loan while in the program, LRAP benefits will be suspended for at least one six-month disbursement period and longer, if needed, until the problem has been resolved to the Law School's satisfaction.

### **Non-Program Earnings**

A graduate's prior income during a period of non-qualifying employment, for example, in the private sector, is taken into account when determining whether he or she satisfies the minimum debt requirement for participation in the program during a subsequent period of qualifying employment. The Law School expects that a graduate earning a high income in non-qualifying employment will be making annual loan payments that are substantially larger than the minimum amount required to service the debt, depending on the size of the graduate's salary and loan obligations. It is possible that such periods of high earnings could greatly reduce a graduate's debt load and might even render the graduate ineligible for LRAP benefits.

To compute the expected annual loan payment during the period of non-qualifying employment, the School assumes a loan repayment contribution of 15% on the gross salary's first \$53,015 (the current entry cap for LRAP), plus a 25% contribution on salary above \$53,015. For example, a graduate whose law firm gross salary was \$100,000 per annum for two years would be expected to have paid \$21,206 per year in debt service for those two years: \$7,952 (15% of \$53,015) + \$13,254 (25% of \$53,015). Total payments for that period should have amounted to \$42,412.

The difference between what the graduate was expected to contribute toward loan repayment during this period, and the actual amount he or she paid, is subtracted from the current, total eligible loan amount reported on the graduate's LRAP application. Continuing with our example of the graduate who earned \$100,000 per annum, assume that this person indicates on the LRAP application that he or she is carrying a debt load of \$66,000 (\$55,500 in Stafford loans, \$5,500 in Perkins loans, and \$5,000 in private loans). The graduate's minimum yearly payment for the combined loans would be \$9,540. Over the course of the two years of law firm employment, this person would have been required to pay a minimum of \$19,080 in debt service to avoid delinquency, and notwithstanding the high salary, that is all the graduate did pay.

Thus, the graduate's actual debt service payments of \$19,080 would be subtracted from the expected debt service payment of \$42,412 -- leaving an unpaid balance of \$23,332. The Law School would then subtract this \$23,332 from the \$66,000 debt

load reported on the graduate's LRAP application. The remaining \$42,668 -- and not the reported \$66,000 -- would be the debt load considered to determine eligibility for LRAP benefits. In this case, given the program's minimum debt requirement of \$55,500 at the time of initial application, this graduate would be ineligible for LRAP benefits. For purposes of computing eligible debt, the expected debt service payment will be imputed, regardless of whether it was actually made.

## VI. CALCULATING ANNUAL LRAP LOANS

Indebtedness eligible for loan repayment assistance under the LRAP Program is approved educational loan debt incurred by the student for payment of tuition at Brooklyn Law School. Loans borrowed to cover the cost of fees, books, room, board, transportation, and any other personal expenses are not covered.

### The Formula

In calculating the amount of a LRAP Loan a participant annually receives, the Law School begins by determining the Qualifying Tuition Debt. This is the sum of money the student borrowed to pay for total tuition charged by Brooklyn Law School, less all scholarships and grants awarded by the School and outside sources and less the expected family contributions calculated by the Financial Aid Office each time an application for need-based financial aid was filed during the years of law school enrollment. For example, assume that the Law School charged a total of \$75,540 in tuition for the three years a graduate attended as a full-time student. Over those three years, the School awarded the student \$12,000 in merit scholarships and \$8,100 in need-based grants, for a total of \$20,100 in gift aid. For the three years that need-based grants were awarded, the student's expected family contribution toward tuition was annually calculated as \$2,480, \$1,424 and \$1,416, for a total contribution of \$5,320. Subtracting \$20,100 (total scholarships/grants) and \$5,320 (total family contributions) from \$75,540 (total tuition), the graduate's Qualifying Tuition Debt is \$50,120. This Qualifying Tuition Debt is the amount considered for loan repayment assistance under the LRAP Program.

Assuming maximum five-year participation in the program, the Law School divides the Qualifying Tuition Debt by five to determine the potential annual amount of the LRAP Loan, not to exceed \$7,000 or the participant's annual loan payment using the Income Based Repayment Calculator ( <http://ibrinfo.com>), whichever is less. Continuing the example above, one-fifth of our graduate's \$50,120 Qualifying Tuition Debt amounts to \$10,024. As this amount exceeds the program's \$7,000 cap, the Law School would allocate to the graduate a \$7,000 LRAP Loan each year that he or she participates in the LRAP Program for up to five years. (Had the one-fifth amount been less than \$7,000, the graduate would have received that smaller amount for each year of program participation.) One half of the annual LRAP Loan is disbursed in early January; the other half is disbursed in early July. Thus, our graduate would receive a loan disbursement in the amount of \$3,500 twice per year,

for each year of program eligibility. LRAP benefits end no later than December 31 of the fifth year of program participation. The only other condition is that the annual sum of the LRAP Loan cannot exceed the sum of the debt service a borrower pays on his or her law school educational loans in any given year. If the LRAP Loan exceeded the debt service payment, it is likely that the borrower would be required to pay federal income taxes on the LRAP benefit.

## **VII. USE OF LRAP LOANS**

All Brooklyn Law School LRAP Loan amounts must be used to service eligible educational loan payments. In the event that the Law School's loan installment exceeds the participant's currently due debt service payment, the participant will be required to apply that excess to the eligible educational loan debt. Participants may retain the excess amount in a bank account in order to cover an eligible loan payment that comes due later in the same award year. However, under no circumstances may participants use LRAP Loan assistance toward living expenses or any debt other than eligible educational loans. Any participant found to have used any portion of a previously disbursed LRAP Loan for purposes other than to service an eligible educational loan debt will be immediately terminated from the LRAP Program, billed for the money that was improperly used, and placed in repayment for the entire LRAP Loan.

## **VIII. LOAN FORGIVENESS**

Brooklyn Law School will extend a loan to a graduate for the first year of his or her participation in the LRAP Program. The award year begins on January 1 and ends on December 31. The Law School will forgive the entire amount of the LRAP Loan immediately upon satisfactory completion of the first full year of participation. The forgiven amount does not need to be repaid to the School. To receive this 100% loan forgiveness, the participant must be in good standing for the complete year with regard to all LRAP eligibility requirements. Interest will accrue at the rate of 5% per annum, but will also be forgiven along with the principal upon completion of the first year.

If the graduate is eligible to receive another LRAP Loan the next year (and each sub-sequent year), the same full forgiveness process will be repeated.

Thus, after five years of participation and assuming eligibility for the maximum \$7,000 loan for each of those years, a graduate will have received \$35,000 in loans that -- together with all accrued interest -- would be totally forgiven by Brooklyn Law School by the conclusion of the graduate's participation in LRAP.

In the case of a graduate who leaves qualifying employment, or for any other reason becomes ineligible for the LRAP Program, before the end of a participation year in which a LRAP Loan has been made, the Law School will forgive a portion of the indebtedness (total loan amount plus interest accrued to date) calculated as the percentage of the year satisfactorily completed. If, for instance, program eligibility

ceases at the end of the ninth month of the participation year, the Law School would forgive 75% (9 divided by 12) of that year's LRAP Loan. Any remaining amount not forgiven must be repaid promptly. Furthermore, only full months of participation in the program count toward forgiveness; participation for any portion of a month does not qualify. Thus, for a person leaving qualified employment after five and one-half months of the participation year, LRAP Loan forgiveness is calculated on the basis of five months of participation.

### **Leaves Of Absence During Program Participation**

Participants in the program who take a temporary leave of absence from their qualified employer -- for reasons deemed appropriate, such as illness or family leave -- are required to submit written notification to the Office of Financial Aid stating the specific reason for the leave of absence. The participant must maintain his or her status as an eligible "employee" during the leave period. Absences cannot exceed three months in any one year or an aggregate of six months over the maximum participation period of five years. Generally, LRAP benefits are suspended during leaves of absence.

If a participant receives an LRAP Loan and subsequently takes an approved leave of absence at any time during the six-month period covered by that loan, no change will be made by the Law School to that disbursement. Assuming that the participant returns to qualifying employment on or before the last day of that same six-month disbursement period, the participant's next LRAP loan for the following six-month disbursement period will be prorated to reflect the amount of time taken during the leave of absence.

For example, if a participant receives an LRAP disbursement of \$3,500 in January, takes a three-month approved leave of absence beginning in February, and then immediately returns to qualifying employment, the participant's next LRAP disbursement for the next six-month period would be prorated to reflect the three months he or she was on the approved leave of absence. Since each disbursement covers a participant's six months of participation, and the leave lasted three months, the July disbursement would be reduced by 50%, or \$1,750.

If, however, the participant's approved leave of absence extends into the second six-month disbursement period, the participant will not be eligible to receive a new loan while still on leave. If, at the end of the leave, the participant returns to qualifying employment at any time during that second six-month disbursement period, a new LRAP Loan will be issued that is prorated on the basis of the total leave time taken during that year's participation.

To be eligible for full forgiveness of LRAP loans disbursed over a 12-month period in which a leave of absence was taken, the participant must have worked in qualifying employment for each and every other month of that period.

A participant who takes a leave of absence from his or her job for more than a three-month period in any one year will not be eligible to receive an additional LRAP Loan for the balance of that award year. Furthermore, such participants are encouraged to take advantage of all deferments and forbearances of their educational loan debt service payments.

Participants who take absences extending beyond the leave periods designated above normally will no longer be eligible for LRAP benefits and immediately will be expected to begin repayment of their LRAP Loans to the extent not forgiven.

### **Deferments During Program Participation**

Many outside educational loans have deferment and forbearance provisions. Eligible graduates may, if necessary, take advantage of deferments and/or forbearances offered through their outside loan programs. If at any time during a six-month disbursement period the participant enters deferment or forbearance, no change will be made by the Law School to that disbursement. To receive forgiveness of that disbursement, the participant must remain in qualified employment through the end of the participation year. No participant will be permitted to apply for a subsequent LRAP Loan while his or her Law School education loans are in deferment or forbearance.

### **Tax Consequences**

Brooklyn Law School believes that it has structured LRAP to provide maximum potential tax benefits to its participants and satisfy the requirements of relevant federal tax law. This law defines as non-taxable the forgiveness of a loan that refinances pre-existing educational loan debt of recipients who perform public service work. Section 108(f) of the Internal Revenue Code details the requirements for tax-free forgiveness. Generally, participants who are working for an organization described in Section 501(c) (3) of the Code will not have this forgiveness added to their gross income. We have attempted to design a program so that loan amounts forgiven by Brooklyn Law School are not considered taxable income to the participant, and therefore do not have to be reported as such. Nevertheless, participants are reminded that they are responsible for any information reported on their own federal income tax returns. All participants are thus encouraged to consult with their tax advisors regarding the taxability of the forgiveness of these loans and to seek legal advice for any questions about their particular tax situation.

## **IX. REPAYMENT OF A LRAP LOAN**

If a borrower remains in the program for an entire year, the full amount of that year's LRAP Loan is forgiven. If, however, the borrower leaves the program before the

end of an award year, the part of the loan not forgiven is repayable over a maximum one-year term that commences on the date program eligibility ceases. Eligibility typically ceases when a participant no longer satisfies the requirements of qualifying employment, reports an income that exceeds the required income cap, or fails to file a proper application for continuation of benefits. It is anticipated that money obtained from former participants will be recycled to finance loans for new participants.

### **Interest Charges**

Interest begins to accrue on LRAP Loans, at a flat rate of 5%, from the date of the initial loan installment. Interest does not need to be repaid until the participant leaves the LRAP Program. Upon successful completion of a participant's full award year in LRAP, Brooklyn Law School will forgive the entire amount of that year's accrued interest. This forgiveness process is repeated for each complete year of program participation. If a participant leaves the program before the end of an award year, the Law School will forgive a portion of the LRAP Loan principal together with accrued interest on that portion. The amount of principal and accrued interest not forgiven shall immediately become due and payable. Interest will capitalize until the loan has been repaid in full.

### **Repayment Process**

It is the responsibility of the borrower to notify the School's Financial Aid Office immediately upon leaving qualifying employment. Once it has been determined that a LRAP borrower has not reapplied for a continuation loan or has reapplied but is now ineligible, the Director of Financial Aid sends the borrower a disclosure statement indicating the exact amount of LRAP Loans borrowed, the amount forgiven, and the amount due for repayment, as well as repayment instructions and the schedule to be followed. Included with this statement is a loan acknowledgment form that the borrower must complete and return to the Financial Aid Office no later than 30 days from the date on the disclosure statement. If the borrower fails to return the acknowledgment form in a timely manner, the entire unpaid LRAP indebtedness will become immediately due and payable.

A borrower's repayment schedule is based on the amount of unforgiven principal borrowed, interest charged, and the length of the repayment term. Simple annual interest accrues on the unforgiven balance at the rate of 5% per year, beginning on the date the borrower accepts the LRAP Loan. A one-year repayment term is put in effect. The total amount due is divided into 12 monthly payments. The School's loan servicer issues monthly bills to the borrower. There is no grace period. The repayment term begins on the date program eligibility ends.

There is no penalty for full or partial prepayment. If the borrower repays more than the amount due for any monthly installment, the excess is used to prepay principal

unless the borrower designates it as an advance payment on the next monthly installment. Failure to submit a full monthly payment within two weeks of the due date results in a \$25 late fee being added to the next monthly bill.

### **Deferments During Repayment**

A borrower in LRAP Loan repayment may, under extraordinary circumstances, request a deferment of up to six months. A written request explaining the reason why payments cannot be made must be submitted in advance to the Financial Aid Office. Generally, deferments are granted by the Director of Financial Aid only if the borrower is experiencing a period of extreme hardship, prolonged illness, disability, total unemployment, family leave, or military service. Persons leaving public interest work for any ineligible employment do not qualify for deferments, and will be required to begin or resume repayment of their loans. No interest accrues on the LRAP Loan during an approved deferment period.

### **Forbearance During Repayment**

To avoid default, borrowers may request a temporary break in making LRAP Loan payments, or they may request temporary payment of a smaller amount than previously scheduled. A written request, with supporting documentation, must be submitted to the Financial Aid Office. Forbearance may be granted by the Director of Financial Aid if the borrower has satisfactorily shown that he or she cannot make scheduled payments due to poor health or other personal reasons, and provided the Law School believes that the borrower intends to repay the loan. Borrowers may request forbearance for up to three months in the repayment term. During the approved period of forbearance, the borrower has an authorized deferment of payment of principal, but continues to be responsible for the interest. In specific cases, the Director of Financial Aid may offer forbearance, even when it has not been requested, to prevent a borrower from defaulting or to help a defaulter resume repayment obligations.

### **Delinquency And Default During Repayment**

In the case of a borrower who misses one or more scheduled LRAP Loan payments and has exhausted all deferments and forbearances, the Director of Financial Aid activates a delinquency timeline with the School's loan servicer. At that point, the servicer provides standard due diligence for up to 150 days. During this period, the borrower is given every opportunity to become current on his or her loan payments. Failing that, between the 151<sup>st</sup> and 180<sup>th</sup> day, the servicer submits a report of the delinquency to the School. If, between the 181<sup>st</sup> and 210<sup>th</sup> day, the borrower still fails to make satisfactory payment, the Law School declares the borrower in default and places the loan with an outside collection law firm for funds recovery. In the event of default, the borrower is responsible for paying any reasonable attorney's fee incurred by the Law School in collecting the amount due. Once the borrower goes into default, the entire unpaid LRAP Loan becomes, at Brooklyn Law School's

option, immediately due and payable.

### **Cancellation Due to Death or Permanent Disability**

If an LRAP participant dies or becomes totally and permanently disabled, the participant's obligation to repay all or part of any LRAP Loan is cancelled. A copy of an original death certificate or certification of permanent disability from a qualified physician is required for loan cancellation. Upon receipt of satisfactory documentation, Brooklyn Law School will cease collection activity directed toward the participant and/or the participant's estate.

### **Loan Consolidation**

LRAP applicants are encouraged to consider some form of loan consolidation. By consolidating certain student loans, monthly debt service payments are reduced as the loan repayment term is lengthened. It is important for borrowers to understand that consolidation will result in the payment of considerably greater interest charges over the longer life of the loan. The interest rate may be higher, moreover, because it is recalculated at the time of consolidation. Notwithstanding these drawbacks, smaller monthly payments may be especially attractive to debtors who are experiencing difficulty in managing their repayment obligations.

In the event that a graduate consolidates loans, LRAP benefits are given only during the five-year eligibility period that commences with the date of entry into the LRAP Program. This is true, regardless of the length of the repayment term for the consolidated loans.

## **X. APPLICATION PROCEDURES**

Application packets for the Loan Repayment Assistance Program are available through the Law School's Office of Financial Aid and on web. To request an application or obtain additional information about the program, please contact the Office of Financial Aid, by telephone at (718) 780-7915, by E-mail at [finaid@brooklaw.edu](mailto:finaid@brooklaw.edu), or by Fax at (718) 228-6796. Application packets can also be picked up in person at the Financial Aid Office, Second Floor, One Boerum Place, Brooklyn.

### **Required Documents**

All applicants must submit the following documents: (1) a completed Brooklyn Law School LRAP Program application form; (2) a signed photocopy of the applicant's (and spouse's) most recently filed Federal income tax return form 1040, 1040A, or 1040EZ, with all accompanying Schedules and photocopies of all W-2 forms; (3) an Employer Certification Form for the applicant, completed by the employer and

indicating dates of employment, job title and annual salary; (4) a photocopy of the applicant's (and spouse's) most recent pay stub; (5) photocopies of billing statements issued by the lender or servicer for all certifiable loans (disclosure statements or coupons) listed on the LRAP Program application; and (6) photocopies of the front and back of the most recent cancelled checks sent in payment for all loans listed on the application (photocopies of bank statements indicating the most recent loan payments may be submitted in lieu of cancelled checks).

Regarding loan documentation, applicants must provide, for each and every loan, the specific total loan amount (including capitalized/accrued interest, if applicable), the period of repayment (e.g., 15 years), the specific monthly payment amount based on that period, the interest rate upon which the monthly payment calculation was based, the specific month, day and year that the first or next payment is due, and the name and telephone number of each lender. Typically, this information is found on the billing statements sent to the applicant from each of his or her lenders, and submission of these statements will satisfy this requirement provided that the applicant supplies any of the above required information the lender may have excluded. From time to time, applicants may be asked to furnish additional information.

### **Application Timeline**

Graduates seeking initial entry into the program are required to apply no later than two and one-half years from the date of their graduation from Brooklyn Law School or three and one-half years after the completion of a judicial clerkship or fellowship following graduation from Brooklyn Law School.

The LRAP benefit year begins on January 1 and ends on the following December 31. LRAP Loan disbursements are made semiannually, one half of the annual award in the first week of January and the other half in the first week of July. Notwithstanding a loan repayment schedule, for some, that might require a December payment, the initial half-year LRAP Loan is not available before the beginning of January. Benefits are calculated as of the date on which program participation commences. There are no retroactive installments. Loans are in the form of checks, issued by the Law School's Office of the Bursar, payable to the borrower.

To ensure consideration for January benefits, graduates are normally required to submit their LRAP applications with all required documents to the Financial Aid Office between the beginning of September and the end of October prior to the year in which the graduate wishes to be accepted into the program. **It is the responsibility of the graduate to complete the application no later than the deadline date of December 1.** However, applicants are strongly encouraged to complete and submit their applications as soon as possible prior to the deadline. We process applications on a rolling basis, and our ability to respond promptly

depends on how soon applications are returned to us in their entirety. Applicants who have questions about the materials or need assistance in completing the application should contact the Office of Financial Aid by e-mail or telephone. Once applications have been submitted, the Financial Aid Office may call applicants directly if there are any questions. In any case, the Financial Aid Office announces decisions on applications in mid December.

The only exception made to the above application timeline is for graduates from the Law School the previous June who obtained their first qualifying legal position after the December 1 deadline. For such graduates, the application deadline for January benefits is extended to **December 31**. Recent graduates who submit applications after December 31 will not be considered for LRAP benefits until the mid-year disbursement in July.

At the time applicants are approved to receive LRAP benefits, they are required to execute a loan agreement and promissory note.

Graduates continuing their participation in the program must reapply annually. All continuing participants must sign a new loan agreement and promissory note each year before new benefits can be disbursed. If the upcoming year's continuation application has not been received by December 1, the Financial Aid Office will assume that the participant is no longer in qualifying employment and will promptly place the borrower into repayment. A previously eligible participant who loses eligibility for any reason may re-enter the program only if he or she regains eligibility within three years of the date when previous eligibility ended.

Applicants to and participants in the LRAP Program are obligated to notify the Law School's Financial Aid Office within 30 days of any change in eligibility. This includes changes in employment, income, assets, marital status, and any other personal and financial circumstances that could affect program eligibility. Failure to provide such notification, in writing, within 30 days will result in the loss of benefits for the next six-month period.

### **Semiannual Recertification**

Disbursement of the second semiannual loan installment payment from LRAP is contingent upon the participant submitting satisfactory recertification documentation. Participants who receive a January disbursement must submit recertification documents in May in order to be eligible for the July LRAP disbursement.

The purpose of recertification is to confirm employment and income status and to update loan repayment information. Thus, participants are required to have their employers submit to the Law School a letter reconfirming their employment and salaries, in order to determine that the participant is maintaining eligible employment and has not exceeded the maximum income level in his or her year of the program. Secondly, participants must submit a letter outlining any changes in assets (and

those of their spouse) since filing their previous LRAP application. Thirdly, participants are asked to submit a letter or a copy of an updated loan repayment statement from the lender or servicer of each of their certifiable loans. The letter or statement must verify that the loans still have an outstanding balance (indicating the amount of the balance and the date and amount of the next payment that is due) and that the participant is in good repayment status on each loan (i.e., up-to-date on all loan payments) and showing the date and amount of the last payment made. The Law School looks for evidence that all previous LRAP disbursements are being fully used to service the debt, such as copies (front and back) of cancelled checks written to the lender(s). Participants are required to notify Brooklyn Law School in writing within 30 days of paying off any of their loans for which they are receiving the Law School's repayment assistance.

All of the above recertification documentation must be received by the Law School's Financial Aid Office **no later than June 1**. Failure to submit this information by the deadline date could result in ineligibility for the July disbursement and termination from the program.

This two-part process of application in the fall and recertification in the spring is required for each year of participation in the LRAP Program.

## **XI. PROGRAM OVERSIGHT**

All matters concerning program eligibility and loan repayment and forgiveness are resolved in accordance with the policies and procedures discussed in this booklet. Questions or requests for rule interpretations initially should be forwarded to the Director of Financial Aid. Appeals should be submitted in writing to the Dean of the Law School.

## **XII. RESERVATION OF RIGHTS**

Brooklyn Law School expressly reserves the right to: (1) modify the LRAP Program and make changes applicable to all participants; (2) limit the program's funding and its level of assistance or participation; (3) add, change or delete any requirement in connection with the program; and (4) change any regulation, process or procedure affecting the administration of the program. In short, the program's regulations that exist at the time of the student's enrollment in law school are not guaranteed at the time the student graduates and applies to LRAP. Eligibility and the extent of financial assistance are determined in accordance with the rules and regulations in effect at the time of LRAP entry, not school entry. Once graduates enter LRAP, however, the Law School continues to reserve the right to change the program in any way it deems appropriate, at any time without notice, even as such changes may affect current participants.