

## **NORTH CAROLINA LEGAL EDUCATION ASSISTANCE FOUNDATION LOAN REPAYMENT ASSISTANCE PROGRAM GUIDELINES for 2019**

NC LEAF sponsors a loan repayment assistance program to encourage and enable law school graduates to enter and remain in public service. The program provides forgivable loans to assist public interest attorneys with law school debt repayment. To be eligible for consideration, an Applicant must complete the confidential application forms and meet the following requirements:

1. An Applicant must have earned a J.D. from an ABA accredited law school within the past ten years and be a licensed member in good standing of the North Carolina State Bar.
2. Document full-time employment in a law-related public service job in North Carolina. Qualifying employment includes a federal, state or local government agency, an organization providing legal services to the poor and a Section 501 (c) (3) nonprofit organization. Judicial clerkships do not qualify.
3. NC LEAF is intended to be a program of last resort, and Applicants eligible for loan repayment funds from other sources must apply first to these programs for assistance. Awards will be coordinated with the recipient's law school or employer loan repayment assistance program (LRAP).
4. Annual gross income from all sources does not exceed \$55,000 for a single person or \$95,000 jointly.
5. Applicants must have a monthly loan repayment amount from their law school loan provider.

### **Educational Debt**

Applicant's law school debt and bar study loans are eligible. Priority will be given to assistance with federal education loans, but other institutional loans used for educational expenses may be covered. Loans from family and other private sources are not eligible. Applicants with a debt load of less than \$10,000 will not be considered for assistance.

Applicants must submit documentation verifying educational loan debt and repayment schedules to NC LEAF. An Applicant must remedy a loan(s) in default and/or remove the forbearance and/or deferment prior to receiving NC LEAF assistance.

NC LEAF provides funding for lawyers in public service based upon the federal Income Based Repayment (IBR) formula developed under the College Cost Reduction and Access Act (CCRAA). The IBR formula requires you to pay 15% of your discretionary income towards repaying school debt. Your "discretionary income" is calculated as your adjusted gross incomes (AGI) minus 150% of the federal poverty level for the size of your family.

If all of your law school debt is based on federal loans, you may be eligible for the Federal Direct Loan Program under the CCRAA. For more information on the Federal Direct Loan Program go to [www.studentaid.ed.gov/publicservice](http://www.studentaid.ed.gov/publicservice) or [www.equaljusticeworks.org/resources/student-debt-relief/income-based-repayment](http://www.equaljusticeworks.org/resources/student-debt-relief/income-based-repayment). NC LEAF applicants are encouraged but not required 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 Income Based Repayment (IBR) as their repayment option. NC LEAF's repayment assistance program uses the federal IBR formula and will not receive any greater

benefits from LEAF than from the federal program. The federal program leads to full forgiveness of all federal loans after 10 years of public service. NC LEAF does not provide that benefit.

NC LEAF applicants must submit documentation verifying educational loan debt and repayment schedules. Documentation for the original principal amount for each federal loan (Stafford, SLS, Perkins, etc.) and, for unsubsidized loans, the principal amount plus the capitalized or accrued interest at the time of graduation must also be provided. Proof of monthly payments and current balances is required.

Applicants will not be required to consolidate their loans; however, the amount of the loan repayment assistance NC LEAF provides will be based either on the applicant's IBR calculation or the amount the applicant is paying in loans, whichever is lower.

### **Income Calculations**

Income, for purposes of determining eligibility, is calculated on projected annual income from qualifying income and other sources for the year of the forgivable loan.

All resources available to Applicants, including Applicant's income and spouse/domestic partner earnings, will be included in the calculation of LRAP income. Income from employment plus all other sources of income (including spouse's or domestic partner's income, alimony, child support, part-time jobs, rental income, family trusts or other resources, etc.) must be reported. A prior year's LRAP award is not included in the calculation of LRAP income. NC LEAF requires an applicant to submit the previous year's income tax information to verify income data. This is accomplished by submitting a copy of applicant's complete 1040, 1040A or 1040EZ, including all relevant schedules, attachments and amendments. The formula for determining eligibility, however, is not based on the tax code.

A domestic partner is defined as a significant other with whom the applicant shares a long-term, committed relationship, including a shared residence and shared household expenses.

The yearly maximum amount of loan repayment assistance is \$4,800. Individual LRAP loan amounts are up to \$400 per month but will not exceed the total monthly payments that are due and payable on all loans.

### **Coordination with Other Available Loan Repayment Assistance Programs**

The NC LEAF Loan Repayment Assistance Program requires that each Applicant pursue and exhaust all other available sources of loan repayment assistance, forgiveness, and cancellation. The availability of other assistance does not disqualify an Applicant. The level of funding NC LEAF provides will be coordinated with assistance the individual receives from other sources and will be based on the annual debt obligation minus the assistance received. Repayment provided by other sources (law school or employer LRAP) will offset the amount of loan assistance provided by NC LEAF.

### **Selection of Recipients**

Selection of recipients will be made by the Board of NC LEAF according to the above stated criteria. NC LEAF reserves the right to identify additional selection criteria and to request additional information from Applicants.

The Board reserves the right to adjust the amount of loan repayment given in response to the availability of resources in any given year. Assistance in one funding cycle does not guarantee continuation of benefits in subsequent cycles.

The Board reserves the right to modify the terms of the Program Guidelines. Eligibility and consideration by the Board does not guarantee that any assistance will be received.

### **Rank-Order of Need**

Applicants will be rank-ordered by NC LEAF, from highest need to lowest need, based on the calculated student debt-to-income ratio, which means the Applicant's student loan debt divided by household income. The program is specifically designed to provide assistance to those attorneys with the least ability to repay law school debts.

### **Secondary Selection Criteria**

The decision-making will focus primarily on the Applicant's calculated educational student loan debt-to-income ratio. In most cases, preference will be given to households with the highest student debt-to-income ratio. To these ends, the Board of Directors may take into account when awarding loans: geographic diversity, number of dependents, hardship due to extenuating circumstances, program diversity, the law school attended by the applicant, and gender/racial/ethnic diversity.

In selecting recipients, the board has established the following preferences for distributing funds:

1. Commitment to public interest law
2. Graduates of North Carolina law schools
3. Graduates of out of state law schools that are originally from North Carolina
4. All others

Applicants are invited to complete the "other pertinent information" section of the application to stress any extraordinary efforts they have made to reduce their loan debt, explain unusual income information, or otherwise highlight extraordinary circumstances that may help NC LEAF when determining how to allocate forgivable loans.

### **Notification of Assistance Award**

Applicants will be notified electronically of the results of their application. Additional information including the promissory note will follow. Failure to sign and return promissory notes or provide any other requested documentation in a timely manner will result in the forfeiture of the loan award.

### **Benefit Disbursements**

Payment is made as an interest free forgivable loan for repayment of law school educational loan debt. Checks will be issued in the name of the lender(s) and disbursed monthly to each educational lender. Repayment will, in no instances, be more than the amount of loan repayment (i.e. forbearance, grace periods, etc.). Monthly payments are contingent upon receipt of documented proof that all student loan payments are current. Such proof must be provided in the manner and form set out in the promissory note. Payment may be made directly to the recipient to preserve the lower interest rate offered by lenders for the auto deduction feature.

Approved forgivable loans will run from the first day of the calendar year until the last day of the year. Loans will be forgiven following each calendar year; provided the recipient provides proof he or she has remained in Qualifying Employment through the year.

### **Renewal of Benefits**

NC LEAF recipients may apply for renewal of their benefits on an annual basis for up to ten years after entry into the program or until the year in which the educational loans are repaid in full, whichever comes first. All recipients are required to make application for assistance annually with no guarantees for continued funding after the initial award.

### **Eligibility Changes**

Notice must be given if a current NC LEAF recipient changes employment to another qualifying agency. The recipient's continuing eligibility will be determined by the NC LEAF Program Administrator.

When a recipient has a household income increase during an award cycle, the recipient's eligibility will be reviewed by the NC LEAF Program Administrator in accordance with the revised debt-to-income ratio calculation. If the increase changes the debt-to-income ratio such that the recipient originally would not have received the loan, the recipient's continuing eligibility will be determined by the NC LEAF Program Administrator.

If the recipient remains eligible after consideration of changes in household income and/or employment, there will be no change in the loan amount during that award cycle. If found to be ineligible, the recipient may be required to repay unforgiven loan amounts received to that time.

### **Removal from Program**

Recipients will be immediately removed from the program if found to be delinquent or in default on any educational loans during any period in which they receive assistance. Failure to notify the NC LEAF office within 10 days of changes in salary, employment or loan status shall result in termination from the program and may require an immediate obligation for repayment of any assistance provided by NC LEAF. Recipients who receive direct payment assistance must provide a screen shot confirming timely payment to NC LEAF every month. Failure to do so may result in a loss of loan repayment assistance.

### **Leave of Absence**

Leaves for parental or disability needs will be decided on a case by case basis upon recommendation of the Program Administrator.

### **Payment of Assistance Obligation**

Graduates from out-of-state law schools who are accepted as NC LEAF recipients must pay 10% of the total annual assistance as an administrative cost. NC LEAF hopes that these recipients will obtain these funds from their respective law schools. However, the burden is on the recipient to obtain this fee, and it is up to the recipient to pay the required cost, if his or her law school does not.

Most North Carolina law schools will subsidize their graduates applying to NC LEAF for assistance by contributing 10% of the total award. Should a North Carolina law school NOT make their proportionate contribution, NC LEAF reserves the right to require graduates from that school who are accepted into the NC LEAF program to pay the same administrative fee as graduates from out of state, i.e. 10% of the annual award.

**TAXABILITY**

NC LEAF has attempted to design this Loan Repayment Assistance Program to provide maximum potential tax benefits under federal tax laws. The program is structured so that the loan amounts forgiven by NC LEAF are not considered taxable income to recipients, and thus do not have to be reported as such. The Internal Revenue Service issued Revenue Ruling 2008-34 that LRAP programs structured as forgivable loans do not create taxable income for the recipient when the loans are forgiven. Each recipient remains responsible for any positions taken on his/her own federal income tax returns, and NC LEAF cannot give any recipient legal advice. For a full text of the IRS ruling visit: <http://www.irs.gov/pub/irs-drop/rr-08-34.pdf>.

**SPONSORSHIPS**

NC LEAF relies on sponsorships by law firms and other entities as part of its funding sources. Any sponsor that provides more than \$25,000 per year in funding to NC LEAF or sponsors more than 10 Recipients per year may ask NC LEAF to fund specific Recipients in Eligible Employment exceeding the Income guidelines or prescribed level of assistance. NC LEAF maintains the discretion to accept or reject any such request. Any Participant impacted by any such modification or waiver of Eligibility Income or guidelines must meet all other eligibility requirements and abide by all other aspects of the Guidelines.

**APPLICATION PROCEDURES:** Applicants must submit an NC LEAF application online. A completed application including current Employment Certification Form, Lender Certification Form(s), tax return(s), a signed copy of these Guidelines, and other signed attachments that may be required by NC LEAF must be completed by **the posted deadline**. The Board of Directors will not consider incomplete or late applications. Questions about the application or the Program should be directed to NC LEAF by email to [ehall@ncleaf.org](mailto:ehall@ncleaf.org) or by phone to (919) 845-6089.



I, \_\_\_\_\_, acknowledge that I have read the foregoing Program Guidelines and agree that any assistance that I receive from NC LEAF is subject to, and governed by, these Guidelines. I understand that these Guidelines may be modified in the future, and that if they are, I will be asked to acknowledge the existence of such modified Program Guidelines and that my receipt of further assistance from NC LEAF will be subject to, and governed by, such modified Program Guidelines to the extent they conflict with the foregoing Program Guidelines.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**All payments pursuant to the NC LEAF LRAP are contingent upon the availability of funds.**

