



TULANE LAW SCHOOL

*Office of Financial Aid*

## Tulane Law School Loan Repayment Assistance Program Rules for the Classes of 2003 through 2006, Inclusive

In 1988, Tulane Law School became the fifteenth law school in the United States to offer its graduates a program providing assistance in repaying educational loans made by banks and other lenders. This program originally offered direct grant assistance to graduates working in core public interest jobs. The grant assistance was awarded after graduation and could be considered taxable income to our graduates.

Tulane Law School revised its Loan Repayment Assistance Program (LRAP) in 2002 to take advantage of changes in tax law. The changes in tax law allowed us to alter our program so that it provides the same level of assistance to our graduates and, in most cases, enables them to save the associated tax costs by offering a forgivable loan rather than an outright grant. The program was redesigned to comply with Section 108(f) of the Internal Revenue Code of 1986 (as amended). Graduates working for non-profit 501(c)3 corporations or under the direction of a governmental unit may not have tax liability if they receive forgiveness of a loan from the Tulane Law School Loan Repayment Assistance Program. **For your review, the text of the law is amended at the end of this document.**

The Tulane Law School LRAP Loan will carry an interest rate of 10% until the last day of February following disbursement, at which time it will be forgiven in its entirety if the recipient documents compliance with the program terms described below. If the recipient does not comply or partially complies with program terms, any amount not forgiven will be due in full on April 1st the year after disbursement or within 30 days of the date of ineligibility, whichever comes first.

The Tulane Law School LRAP was designed to assist graduates providing legal services to clients who cannot afford access to traditional legal services. Currently, active participants are working in such organizations as West Tennessee Legal Services, Legal Aid of Western Missouri, and Legal Services of Northern Virginia. The terms of our LRAP – such as types of employment covered, income eligibility levels and support for individual graduates – have changed over the past fifteen years and, due to variations in debt levels, demand for the program, and law school resources, Tulane cannot guarantee the future structure, terms or existence of the program, or individual benefit levels. We are, however, proud of being one of the early programs and of our continued commitment to direct public service. It is hoped that the program will continue to assist qualifying Tulane Law School graduates in repaying a portion of their educational debt when they provide legal representation for traditionally underrepresented indigent clients.

### Qualifying Applicant

The applicant must have received a Tulane JD degree in years 2003 through 2006, inclusive, and fulfill the qualifying employment and income tests described below. Initial application for the program must occur within three years of receiving a Tulane JD.

### Qualifying Employment

The applicant must be a member of a U.S. state bar and must be providing legal services on a full-time, compensated basis, as further described below. At a minimum, the applicant must be compensated at the level of full-time minimum wage.

Qualifying employment is limited to core public interest jobs which provide legal services for or under the direction of a governmental unit or an organization described in Internal Revenue Code section 501(c)(3) to people who cannot afford to pay, such as: legal aid or legal services offices and other certain private non-profit organizations that provide legal services, indigent or public defender offices, or certain private law firms in the public interest, that is, firms where at least 50 percent of "billable hours" are devoted to pro bono, reduced fee, or court-awarded fee work for persons or organizations financially unable to obtain adequate legal services for or under the direction of a governmental unit or an organization described in Internal Revenue Code section 501(c)(3).

Some examples of qualifying positions include:

- Attorney at Legal Services or Legal Aid office
- Attorney at Indigent Defender or Public Defender office
- Self-employed public or indigent defender contracting for a governmental unit
- Attorney at non-profit organization qualifying for tax exemption under 501(c)(3) and serving indigent clients

(If a graduate is employed as an attorney for indigent clients, but their employment does not fit any of the qualifying position descriptions above, the graduate may qualify for forgivable loans from Tulane Law School, but the amount forgiven may be subject to taxation. A W-9 in addition to a promissory note would be required. Contact the Law Financial Aid Office at 504/865-5931 for more details.)

Some examples of non-qualifying positions include:

- Judicial clerkships
- Prosecutors' offices
- Federal, state or municipal agencies
- Educational positions
- "Think-tank" and policy-making positions

### Qualifying Income

The graduate's income cap is set on earned and unearned, taxed and untaxed income. In addition to the requirement that the graduate's income be under the income cap, if the graduate is married, a family income cap in the amount of twice the income cap of the graduate in earned and unearned, taxed and untaxed income for the graduate and spouse also applies. If the graduate supports children, the cap may exceed the specified amount by \$3,000 per child. If the graduate is self-employed, the cap may exceed the specified amount by an amount equivalent to certain business expenses.

Tulane's LRAP income cap is adjusted annually to coincide with the federal salary scale, GS 9 Step 1 level, incorporating the locality pay for the area in which the graduate is employed. There are 32 locality pay areas (including the "Rest of U.S." area) in the federal salary scale. The federal salary scale is reset each January and publicized by the Federal government (**United States Office of Personnel Management** <http://www.opm.gov/oca/index.htm>), and the locality descriptions are also publicized on that website. We have copied information from the website below, which is subject to corrections subsequently made on the website (such as any retroactive pay adjustments made by Executive order).

### 2006 General Schedule Effective January 2006: Annual Rates for Grade 9 Step 1 for Various Localities (as of 2/22/06)

\$43,939.00	ATL	Atlanta, GA
\$45,806.00	BOS	Boston-Worcester-Lawrence, MA-NH-ME-CT-RI
\$43,336.00	BU	Buffalo-Niagra-Cattaraugus, NY
\$46,249.00	CHI	Chicago-Gary-Kenosha, IL-IN-WI
\$44,695.00	CIN	Cincinnati-Hamilton, OH-KY-IN
\$44,058.00	CLE	Cleveland-Akron, OH
\$43,844.00	COL	Columbus, OH
\$43,455.00	DAY	Dayton-Springfield, OH
\$44,856.00	DCB	Washington-Baltimore, DC-MD-VA-WV
\$45,615.00	DEN	Denver-Boulder-Greeley, CO
\$46,192.00	DET	Detroit-Ann Arbor-Flint, MI
\$44,432.00	DFW	Dallas-Fort Worth, TX
\$46,306.00	HAR	Hartford, CT
\$43,271.00	HNT	Huntsville, AL
\$48,242.00	HOU	Houston-Galveston-Brazoria, TX
\$43,080.00	IND	Indianapolis, IN
\$47,024.00	LA	Los Angeles-Riverside-Orange County, CA Los Angeles-Riverside-Orange County, CA
\$44,985.00	MFL	Miami-Fort Lauderdale, FL
\$43,802.00	MIL	Milwaukee-Racine, WI
\$44,783.00	MSP	Minneapolis-St. Paul, MN-WI
\$46,944.00	NY	New York-Northern New Jersey-Long Island, NY-NJ-CT-PA
\$45,062.00	PHL	Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD
\$43,447.00	PIT	Pittsburgh, PA
\$44,726.00	POR	Portland-Salem, OR-WA
\$43,004.00	PX	Phoenix-Mesa-Scottsdale, AZ
\$44,119.00	RA	Raleigh-Durham-Cary, NC
\$43,577.00	RCH	Richmond-Petersburg, VA
\$42,955.00	RUS	Rest of U.S.
\$45,012.00	SAC	Sacramento-Yolo, CA
\$45,501.00	SD	San Diego, CA
\$45,020.00	SEA	Seattle-Tacoma-Bremerton, WA
\$49,124.00	SF	San Francisco-Oakland-San Jose, CA

### Qualifying Loans

Federal and private commercial educational loans borrowed during enrollment at Tulane Law School for legitimate law school and bar examination expenses are eligible for repayment assistance. Federal loans (except Perkins) must be consolidated by the graduate into a Federal Consolidation Loan with a repayment period of at least 25 years. Up to three months of benefits may be granted without a Federal Consolidation Loan if the consolidation application is in progress but not yet finalized. Repayment assistance on eligible loans is limited to the loan balance six months after graduation: higher payments due to periods of non-payment, deferment, or forbearance will not be recognized by the Program.

Excluded are federal and private commercial loans incurred during undergraduate and graduate education outside of enrollment at Tulane Law School, intra-family or other non-commercial loans, and loans in default or delinquency at the time of requesting assistance from Tulane.

### Benefit Limitations

Lifetime benefits from the program are capped at 60 months of benefits.

### Benefit Calculation

Tulane will issue a forgivable loan in the amount of regular monthly payments made for eligible loans, after subtracting an amount the participant is expected to pay ("graduate contribution") and multiplying the result by the percentage of pro bono work the graduate performs. "Graduate contribution" is the higher of 12% of the graduate's net income or 6% of his or her family net income. Net income is gross income from all sources less taxes, less \$3,000 per dependent child, and less certain business expenses for self-employed graduates.

### How to Apply

Initial application for the program must occur within three years of receiving a Tulane JD. A leave from the program may be taken, but reapplication must occur within two years of the leave. Initial applications are approved for a period of up to 15 months: the period approved may begin up to three months before and up to twelve months after the initial LRAP application is received. Renewal applications are approved for a period of up to 12 months at a time.

A complete application consists of: this application form, the last federal income tax form filed by the applicant (and the spouse), an employer certification form for the applicant (and the spouse), copies of current loan statements showing payment amounts, and, for the initial application, a Tulane Law School Loan Repayment Assistance Program Loan Master Promissory Note. Incomplete applications will be returned to the applicant and no loan will be issued.

Applicants who change jobs resulting in their no longer being in a qualifying position or who have income adjustments (or whose spouse has an income adjustment) resulting in an ineligible income must notify the Office of Financial Aid in writing within 30 days of ceasing to be qualified. At that time, eligibility will be recalculated, an invoice for any overpayment will be issued, and payment for ineligible benefits received by the participant must be made within 30 days. Failure to comply with this notification requirement will be considered a default against the LRAP Loan, and immediate payment in full on the outstanding note will be demanded.

### Program Year

The Tulane LRAP is administered on a yearly basis, beginning March 1st each year. Applications and supporting documentation are due on March 15th for March disbursement each year. Applicants approved for participation may receive periodic disbursements from the loan until the following March. Applicants may be approved at other times during the year; but a longer processing time may be required (up to eight weeks) for loan disbursement. Regardless of initial start-date, re-application is required each March 15th.

Forgiveness decisions for outstanding LRAP loans are made on the last day of March each year. Documentation supporting forgiveness decisions (either a renewal application or a letter from a participant who has left the program to the Law Financial Aid Office) must be received by March 15th to justify forgiveness of all or a portion of the loan. If neither is received by the last day of March, or if insufficient information for a decision is received, payment in full must be made by April 1st. If documentation is received and only a portion of the loan is qualified for forgiveness, payment for the portion not forgiven will be due in full on April 1st.

### Disclaimer

Tulane reserves the right to change the structure or benefits of the program or even to discontinue the program. Students and graduates should be aware that the type of qualifying employment, the maximum salary, the percentage of income a graduate is required to spend toward loan repayment, the loans subject to support, or any other feature may be altered at any time. Although the intention of Tulane Law School is continue supporting a Loan Repayment Assistance Program, future demands on limited resources may require changes to or even elimination of the program.

03/07/06

**For your review, IRS Code mentioned in the second paragraph of this document is reproduced below.**

REFERENCE: <http://www.access.gpo.gov/uscode/uscmain.html>

United States Code  
Title 26 – Internal Revenue Code  
Subtitle A – Income Taxes  
Chapter 1 – Normal Taxes and Surtaxes  
Subchapter B – Computation of Taxable Income  
Part III – Items Specifically Excluded from Gross Income  
Section 108 – Income from discharge of indebtedness

(f) Student loans

(1) In general - In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or in part) of any student loan if such discharge was pursuant to a provision of such loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers.

(2) Student loan - For purposes of this subsection, the term "student loan" means any loan to an individual to assist the individual in attending an educational organization described in section 170(b)(1)(A)(ii) made by -

(A) the United States, or an instrumentality or agency thereof,

(B) a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof,

(C) a public benefit corporation -

(i) which is exempt from taxation under section 501(c)(3),

(ii) which has assumed control over a State, county, or municipal hospital, and

(iii) whose employees have been deemed to be public employees under State law, or

(D) any educational organization described in section 170(b)(1)(A)(ii) if such loan is made -

(i) pursuant to an agreement with any entity described in subparagraph (A), (B), or (C) under which the funds from which the loan was made were provided to such educational organization, or

(ii) pursuant to a program of such educational organization which is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs and under which the services provided by the students (or former students) are for or under the direction of a governmental unit or an organization described in section 501(c)(3) and exempt from tax under section 501(a). The term "student loan" includes any loan made by an educational organization described in section 170(b)(1)(A)(ii) or by an organization exempt from tax under section 501(a) to refinance a loan to an individual to assist the individual in attending any such educational organization but only if the refinancing loan is pursuant to a program of the refinancing organization which is designed as described in subparagraph (D)(ii).

(3) Exception for discharges on account of services performed for certain lenders - Paragraph (1) shall not apply to the discharge of a loan made by an organization described in paragraph (2)(D) if the discharge is on account of services performed for either such organization.

*From the U.S. Code Online via GPO Access[wais.access.gpo.gov][Laws in effect as of January 23, 2000][Document affected by Public Law 107-16 Section 611(d)(3)(C)][CITE: 26USC501]*

United States Code  
TITLE 26--INTERNAL REVENUE CODE  
Subtitle A--Income Taxes  
CHAPTER 1--NORMAL TAXES AND SURTAXES  
Subchapter F--Exempt Organizations  
PART I--GENERAL RULE  
Section 501 -- Exemption from tax on corporations, certain trusts, etc.

(a) Exemption from taxation

An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

(c) List of exempt organizations

The following organizations are referred to in subsection (a):

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.