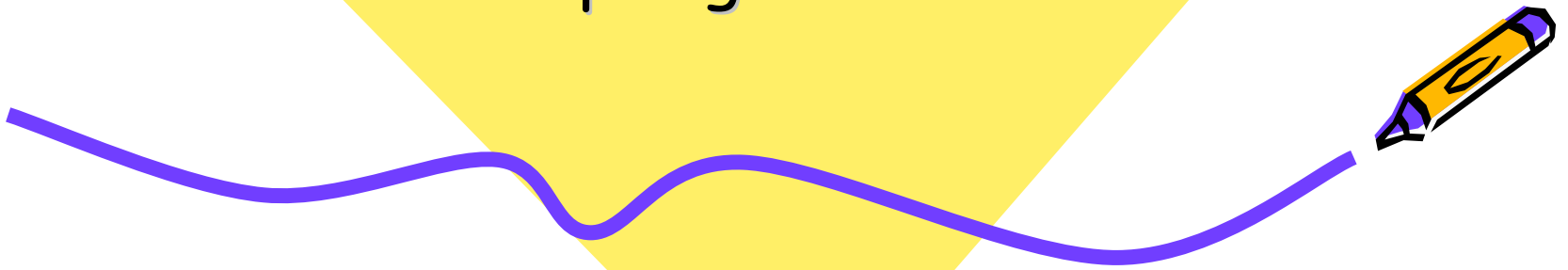


# LRAP 101

Spring 2008



# Objective

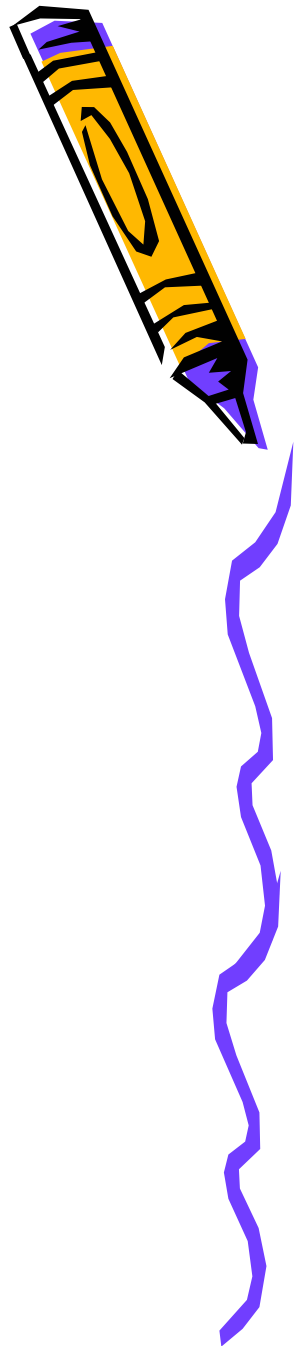


- To Provide Graduates with Greater Flexibility in Career Choice
- To Provide Assistance in Repayment of Law School Loans



# LRAP Stats...

- NYU has been providing LRAP assistance since 1984
  - Administers the largest law school LRAP in the country
- 2005
  - 364 active participants
  - \$3.4MM in benefits disbursed
- 2006
  - 416 active participants
  - \$3.8MM in benefits disbursed
- 2007
  - 486 active participants
  - \$4.3MM in benefits disbursed
- 2008
  - Currently 450 active participants...



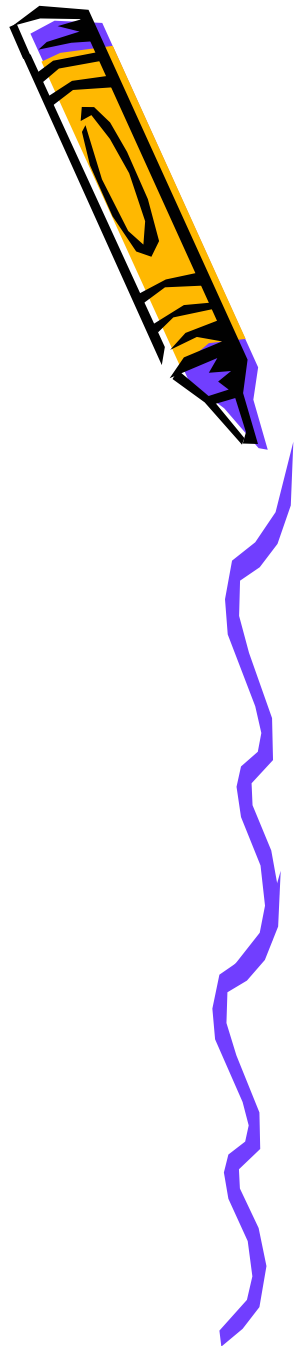
# "Conscious" Choices

- Public Interest is a Lifestyle Choice
- Financial Planning is Important
  - Long-term and Short-term
- Living within a Budget is Critical
- Preparation Begins as a Student



# LRAP in a nutshell

- Application Evaluation
  - Secured employment
  - Loans in repayment
  - Net Worth review
- Benefits disbursed
  - Quarterly checks
  - Over/under payments reconciled each quarter
- Issuance of LRAP promissory note
  - Annual Statement of Account
- LRAP loan(s) forgiven after 36 months of participation



# 2007-08 Program Enhancements



1. A reduction of the period of program participation required for LRAP loan forgiveness to **36 months** (3 years) from 60 months
2. An allowance for a bar study loan up to \$10,000 to be included in the eligible debt
3. Protection for qualified retirement assets (i.e., 403(b), 401(k), IRAs) in the Net Worth calculation
4. Parental leave provision
5. Spousal/Domestic Partner educational debt consideration
6. Participant UG/Grad School debt provision increase



# LRAP "Buzz" Words

- LRAP Eligible Debt
- LRAP Qualifying Debt Service
- Qualifying Income
- Student Contribution vs. Participant Contribution
- Net Worth
- Summer Earnings



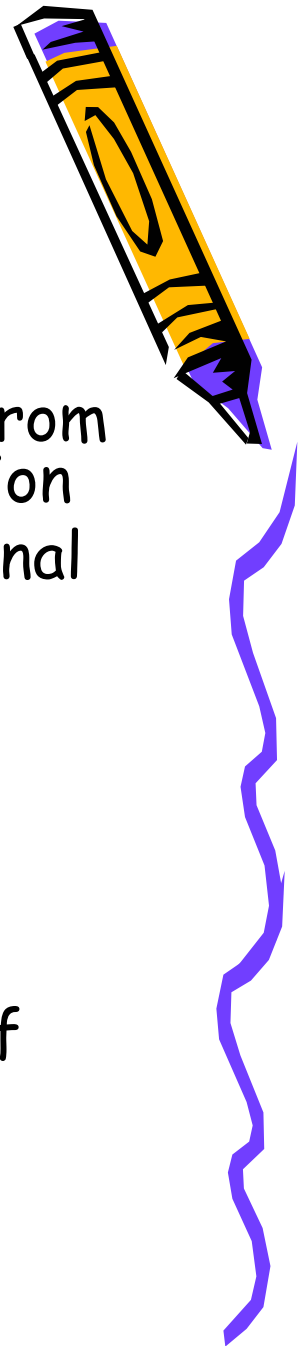
# LRAP Eligible Debt



- The Amount of Debt Qualifying for consideration by LRAP is the LESSER of:
  - Original Principle of Actual Law school loans ("Actual Debt")
  - The Amount equal to 3 yrs (six semesters) of the standard SEB less AID less the Student Contribution (calculated according to NYU institutional formula ("Maximum LRAP-Eligible Debt"))
    - Gross summer earnings in EXCESS of \$15,000 are considered an addition to the student contribution.



# "Student Contribution (SC)"

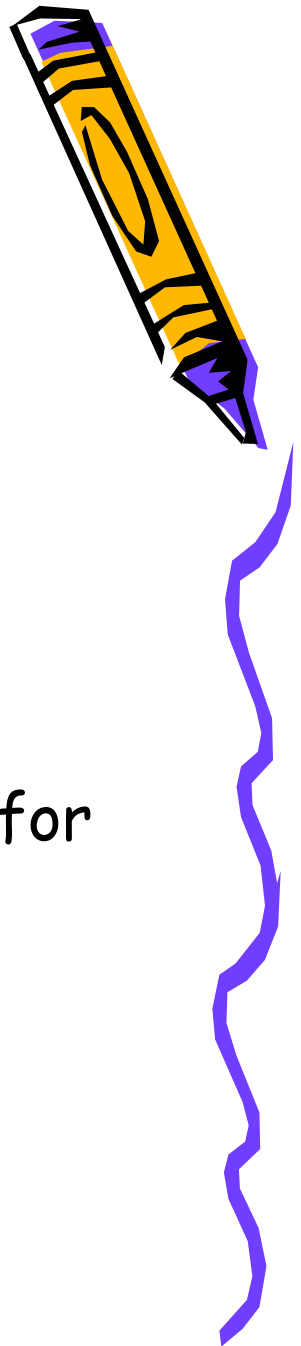


- Calculated using student's asset information from the NYU School of Law Financial Aid Application
- Expected annual contribution toward educational expenses
- Student can borrow each year to cover this amount
- Minimum of \$5,100
  - \$1,700 per year
- If you do not complete NYU Financial Aid Application - assumed annual SC will be cost of Tuition (in AY2007-2008 \$40,890)



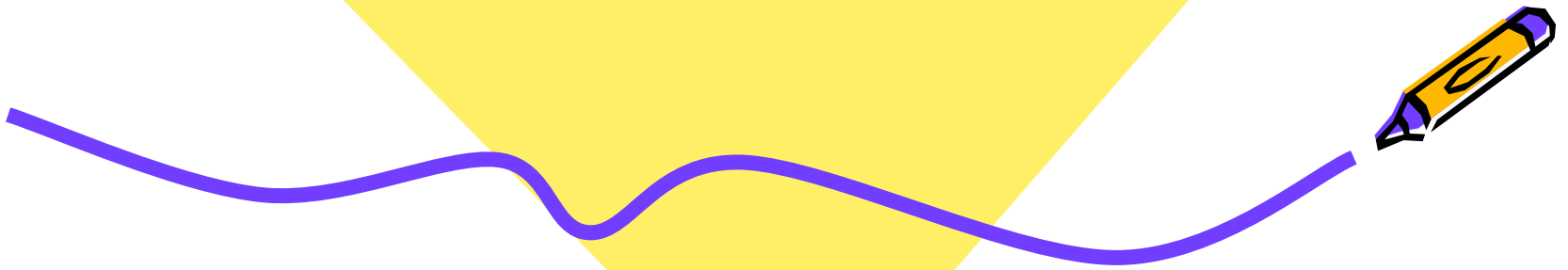
# Assumptions\*

- Students are 2008 Graduates
- Borrowed up to Full Budget
- Interest Rates in Examples:
  - \$57,500 (Federal Loans) @ 6.8%, 10 yr repayment
  - Remaining Loans - Private @ 8.5 %, 10 yr repayment
- Qualifying Income Scales - Calendar Yr 2008 for a 2008 Graduate (Scales adjusted annually)
  - \*All examples are for demonstration purposes only.

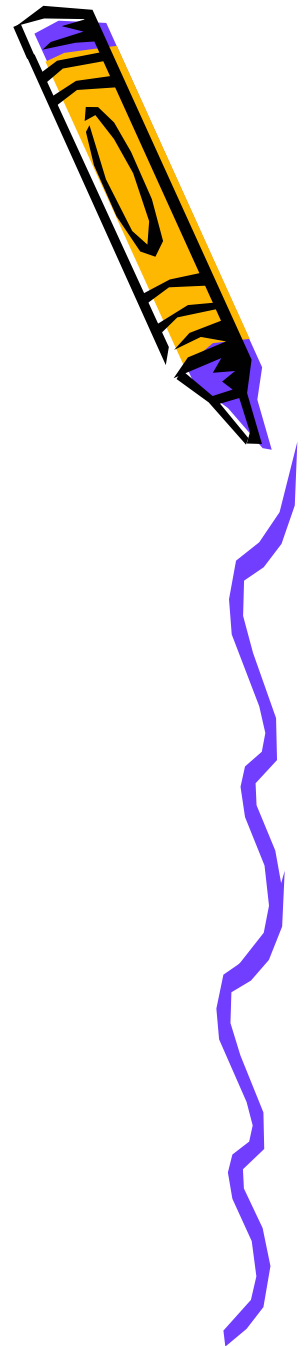




# Student Examples



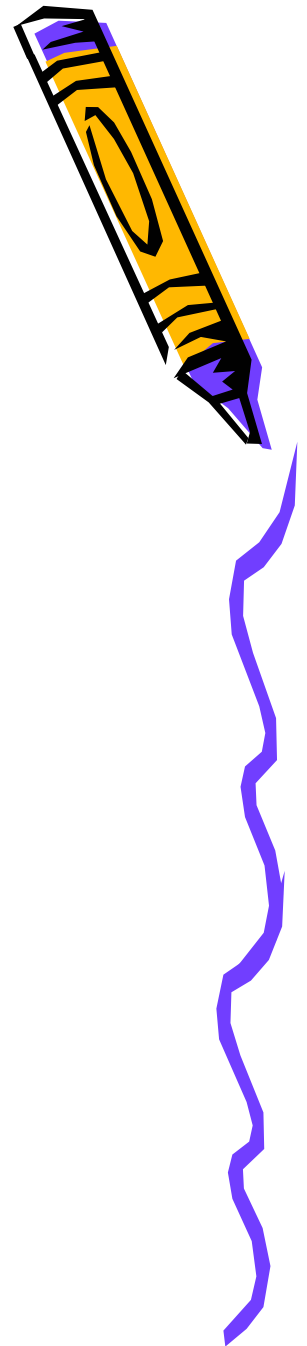
# Student Examples



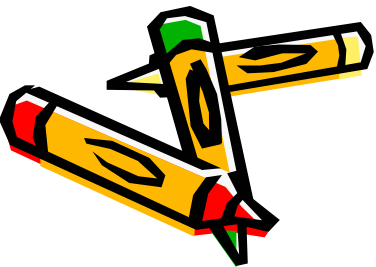
- Student A
- Scholarships:
- 1L - \$20,000
- 2L - \$20,000
- 3L - \$10,000
- Total Aid: \$50,000
- Initial Student Contribution: \$7,800



# Student Examples

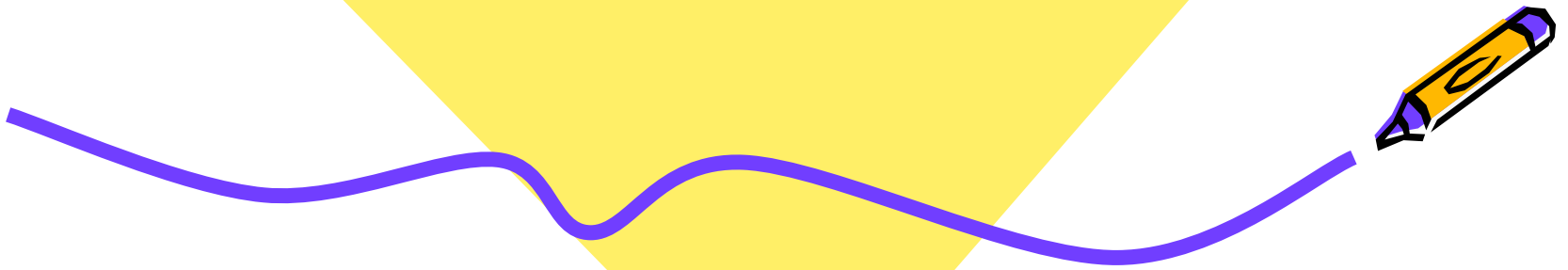


- Student B
- Scholarships:
- 1L - \$0
- 2L - \$0
- 3L - \$10,000
- Total Aid: \$10,000
- Initial Student Contribution: \$5,100

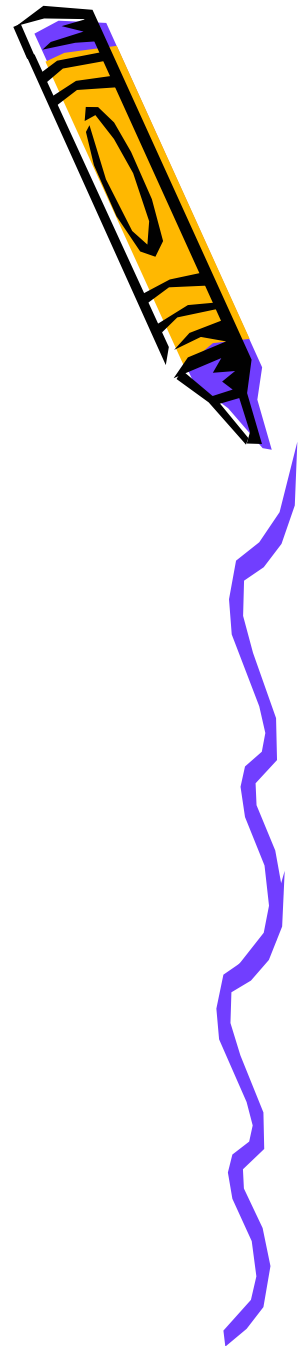




# Sample Debt Calculation



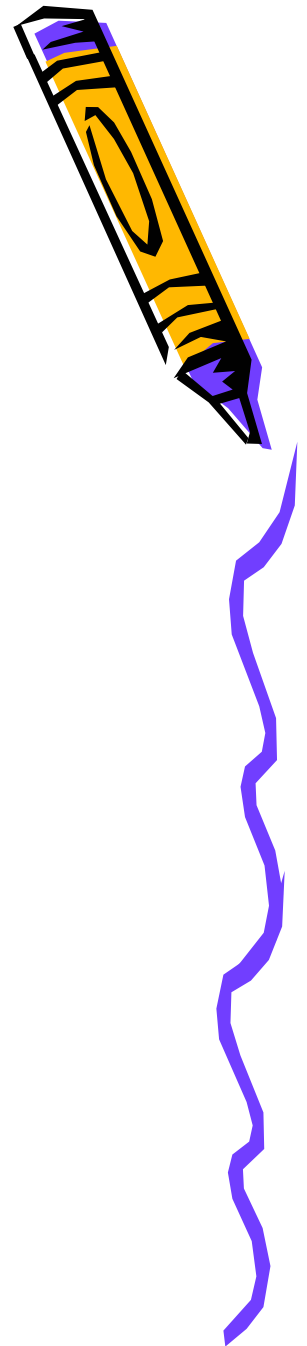
# Sample Debt Calculation: Step 1



- Students A & B
  - Budget 1L Yr: \$59,190
  - Budget 2L Yr: \$61,485
  - Budget 3L Yr: \$64,460
- 
- Total SEB: \$185,135



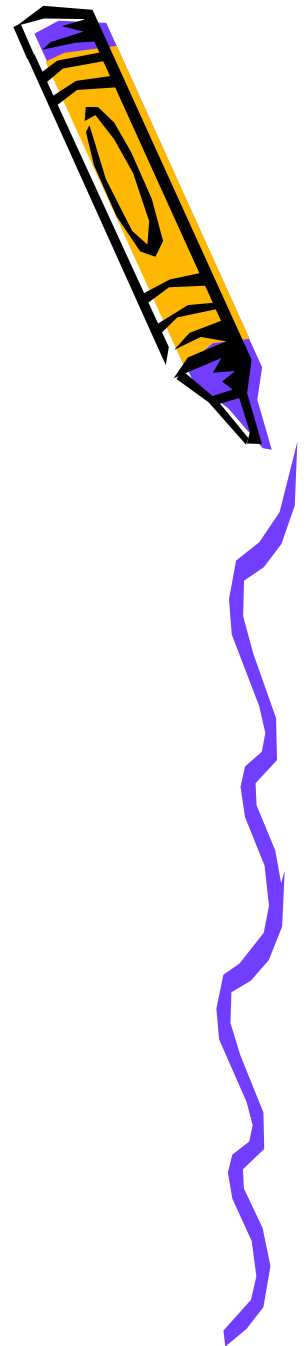
# Sample Debt Calculation: Step 2



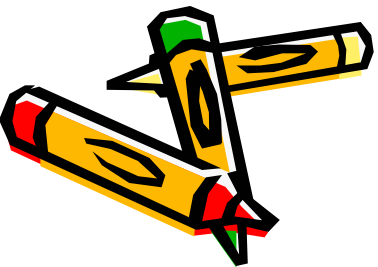
- **Maximum LRAP-Eligible Debt**
- Student A\*:
- $\$185,135 - \$50,000 - \$7,800 - (\$24,000 - \$15,000) = \$118,335$
- Student B\*\*:
- $\$185,135 - \$10,000 - \$5,100 = \$170,035$
- \*Worked for firm 2L summer
- \*\*PILC grant 2L summer (\$5,000)



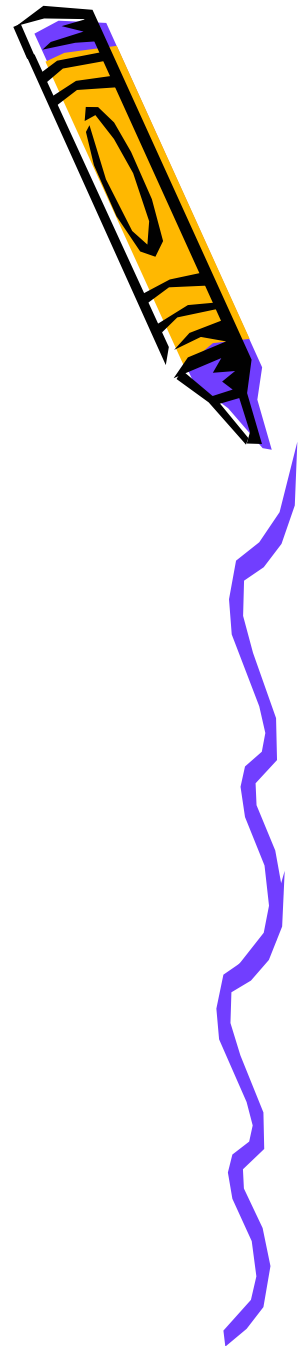
# Sample Debt Calculation: Step 3



- Original Principal Loans Borrowed:
- Student A:
- 1L - \$39,190
- 2L - \$41,485
- 3L - \$54,460
- Total "Actual Debt" - \$135,135



# Sample Debt Calculation: Step 3



- Original Principal Loans Borrowed:
- Student B:
- 1L - \$59,190
- 2L - \$61,485
- 3L - \$54,460
- Total "Actual Debt" - \$175,135



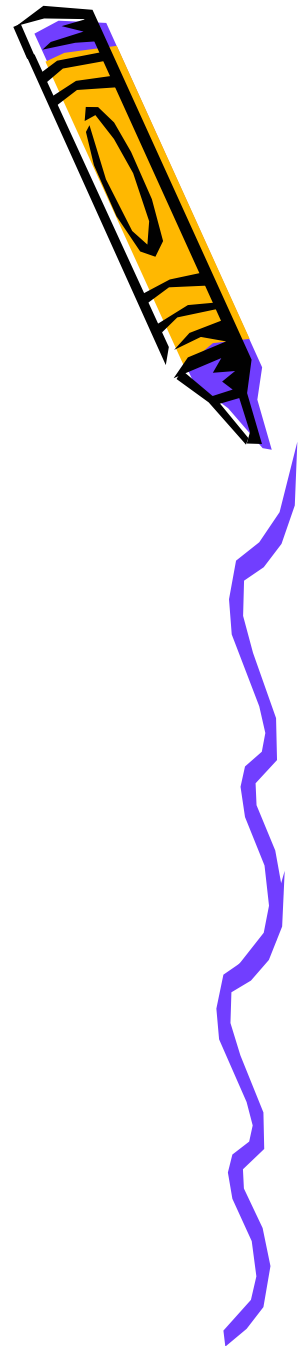


# Benefit Determination

Qualifying Debt Service

# Benefit Determination

## Step 1: "Qualifying Debt Service" - LESSER of Maximum (M) or Actual (A)

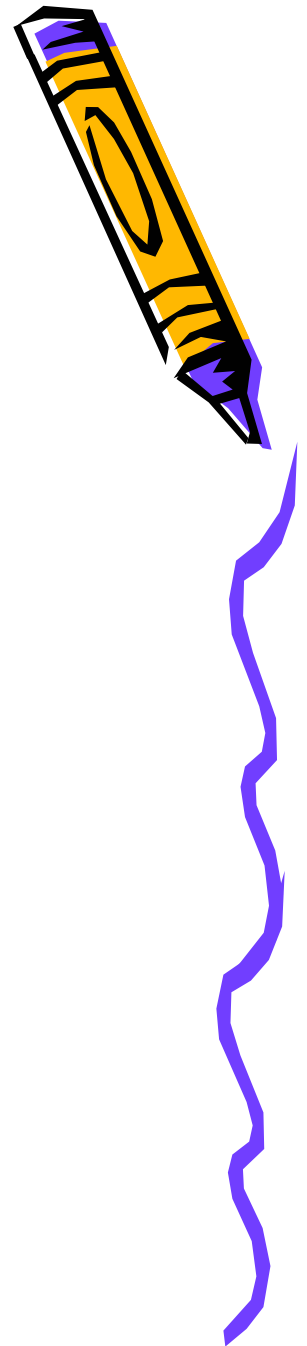


- Student A - \$**118,335** (M) or \$135,135 (A)
- Student B - \$**170,035** (M) or \$175,135 (A)

**LRAP Qualifying Debt**



# Actual Monthly Loan Payments



- **Student A: \$1,624.27**
  - \$57,500 Federal loans @ 6.8% on 10 yr repayment - \$661.71
  - \$77,635 Private loans @ 8.5% on 10 yr repayment - \$962.56
- **Student B: \$2,120.22**
  - \$57,500 Federal loans @ 6.8% on 10 yr repayment - \$661.71
  - \$117,635 Private loans @ 8.5% on 10 yr repayment - \$1,458.51



## Benefit Determination Step 2: Qualifying Monthly Debt Service



- Student A -  $(\$118,335/135,135) \times \$1,624.27 = \$1,429.36$ 
  - 88% of actual monthly payments is covered by LRAP
  - **\$194.91 (12%)**: out of pocket monthly payment on portion of loans not covered by LRAP



## Benefit Determination Step 2: Qualifying Monthly Debt Service

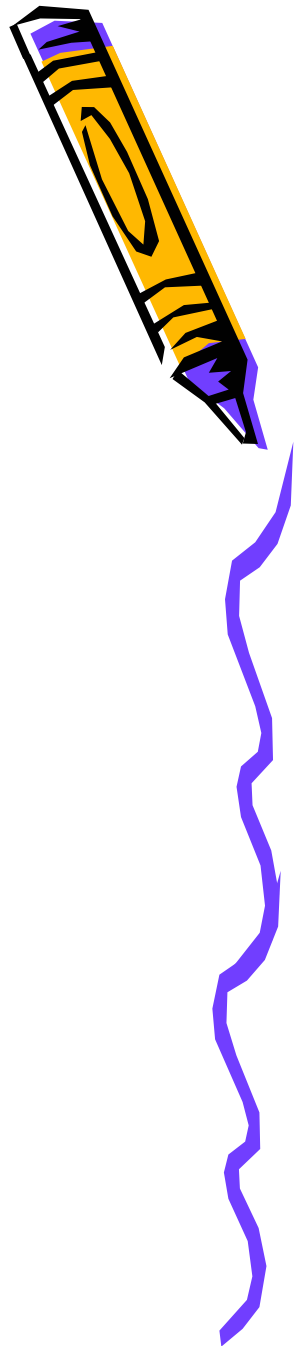


- Student B -  $(\$170,035/175,135) \times \$2,120.22 = \$2,056.61$ 
  - 97% of actual monthly payment is covered by LRAP
  - **\$63.61 (3%)**: out of pocket monthly payment on portion of loans not covered by LRAP



# LRAP Benefit Calculation Step 1: Qualifying Income

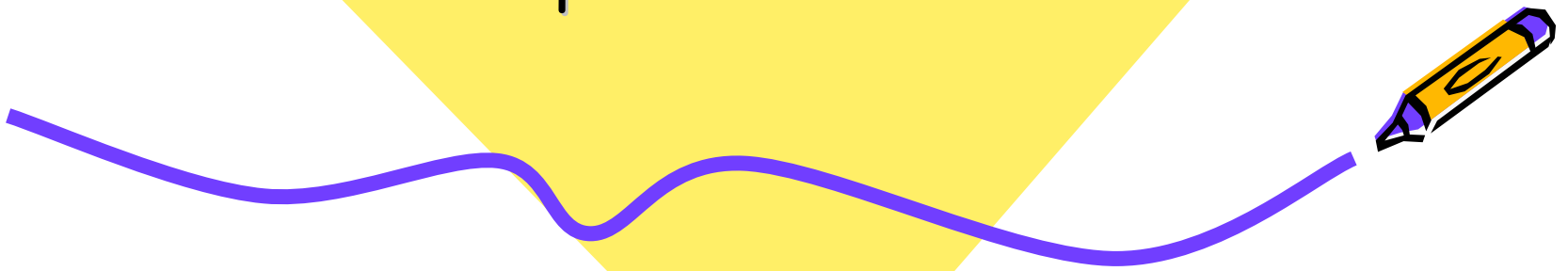
- 2008 Base Qualifying Income - **\$47,621**
- Student A:
  - Gross Annual Income: \$48,500
  - No Undergraduate Debt
- Student B:
  - Gross Annual Income: \$48,000
  - Undergraduate Debt:
    - \$10,000 (4.7%, 10 yrs - \$104 per month)





# LRAP Benefit Calculation

Participant Contribution



# LRAP Benefit Calculation Step 2: Participant Contribution



- 2008 Base Qualifying Income - \$47,621
- **Student A:**
  - Gross Annual Income: \$48,500
  - Monthly Participant Contribution -  $((\$48,500 - \$47,621) \times .40) / 12 = \$29.30$  (participant contribution)
  - Initial LRAP Debt Service - \$1,429.36 (see slide BD-Student A)
  - Monthly LRAP Benefit -  $\$1,429.36 - \$29.30 = \$1,400.06$
  - Actual Monthly Loan Payments - \$1,624.27 (\$661.71 + \$962.56)
  - NEW Out of Pocket Payments =  $\$224.21$  (\$194.91 + \$29.30)



# LRAP Benefit Calculation Step 2: Participant Contribution



- 2008 Base Qualifying Income - \$47,621
- **Student B\*\***:
  - Gross Annual Income: \$48,000
  - Monthly Participant Contribution -  $((\$48,000 - \$47,621) \times .40) / 12 = \$12.63$  (participant contribution)
    - Annual Participant Contribution - \$151.60
  - **\*\*Undergraduate Debt**:
    - \$10,000 (4.7%, 10 yrs - \$104 per month - annual debt service of \$1,248)
  - Initial LRAP Debt Service - \$2,056.61 (see slide for BD of Student B)
  - Monthly LRAP Benefit - \$2,056.61
    - U/G debt service reduces Participant Contribution \$1 for \$1
  - NEW out of Pocket Payments - \$63.61 (remains the same)



# LRAP following NON-Eligible Employment



- **Assumption**

- You are using your additional income to pay down law school loans

- **Formula:**

- (Annual Gross Income (including bonuses) - Base Qualifying Income) x .40 = Expected Annual Loan payments

- Example -  $(\$160,000 - \$47,621) \times .40 = \$44,951.60^*$

**\*This amount is deducted from LRAP Qualifying Debt regardless of whether or not you made the expected payments.**



# We're Here!

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