

NEW YORK UNIVERSITY SCHOOL OF LAW

Loan Repayment Assistance Program Program Document Classes Graduating in 2009 and Beyond



**Office of Student Financial Services
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A. THE PROGRAM

NYU School of Law encourages its graduates to pursue careers in public service and recognizes the difficulty that law school debt burdens present to those interested in such careers. Introduced in 1984, the Loan Repayment Assistance Program ("LRAP" or the "Program") LRAP provides our graduates with greater flexibility in career choice by easing the burden of debt repayment obligations. Graduates who choose careers in public service or with not-for-profit organizations following graduation may have their debt burden funded in full or in part by NYU, if they meet all requirements for participation.

In continuance of its mission to support and encourage service in the public interest, the Law School is pleased to announce a new LRAP for classes graduating in 2009 and later that may result in substantially reduced debt obligations for graduates working in public interest jobs for 10 years. New LRAP integrates with the federal government's Public Service Loan Forgiveness Program ("PSLFP") and the income-based repayment option ("IBR") available to graduates with federal Direct Loans. In so doing, the Law School is creating an unrivaled program for its graduates, one that gives those interested in public service greater flexibility in career choices by easing the burden of student loan repayment.

B. SUMMARY OF PSLFP and IBR¹

Federal Public Service Loan Forgiveness Program

The College Cost Reduction and Access Act of 2007 established PSLFP. Under PSLFP, the federal government discharges any remaining debt after 10 years of full-time employment in public service for qualifying borrowers and loans. The borrower must have made 120 on-time payments on or after October 1, 2007, as part of the Direct Loan program in order to obtain this benefit. Only loans made under or consolidated into Direct Lending qualify for PSLFP. Once a borrower has met all of the requirements of the federal program, the borrower is required to submit an application for forgiveness of the outstanding loan balance to the Department of Education.

LRAP integrates with PSLFP and requires participants to use IBR if they qualify. IBR may significantly reduce a borrower's monthly loan payment. Although there may be significant benefits to borrowers in utilizing IBR, if a borrower were to fail to qualify for loan forgiveness under PSLFP, the borrower could owe considerably more than the amount that would be owed under the standard 10-year repayment schedule. We discuss in detail below how IBR works.

Participants who do not initially qualify for IBR due to a lack of financial hardship as defined by the federal regulations governing IBR, but whose employment meets PSLFP requirements, may still be eligible for LRAP benefits, but monthly payments for these participants will typically be based on the standard 10-year repayment schedule and not IBR. This is discussed further below.

Participants may, at the discretion of the LRAP administrator, be required to take all necessary steps to enroll in IBR if they qualify. In some cases, this may require consolidating federal student loans into the federal Direct Loan program as discussed below.

¹ This summary is intended only to provide a general overview on these matters based on information available as of the date of publication of this Program document. It is not intended to be comprehensive nor does it constitute legal or accounting advice. You should seek legal, accounting or other professional advice before acting or relying on any information contained herein.

Participants should also be aware that the criteria for forgiveness under PSLFP differ in certain important respects from the requirements of LRAP and that participants are solely responsible for reviewing the terms of the federal program, determining whether they meet its criteria (including the employment requirements) and applying for forgiveness of their loans if and when they have satisfied such criteria.

Income Based Repayment

IBR is a way to determine a borrower's monthly federal student loan payment obligation. Under IBR, the monthly payment is determined by the borrower's income, not by the amount borrowed. The IBR option is only available for certain federal loans, such as Stafford loans, Grad PLUS loans and most federal Consolidation loans. IBR is not available for loans that were consolidated with a Parent PLUS loan, loans that are in default, or private student loans.

To qualify for IBR, the borrower must have a *partial financial hardship*. A partial financial hardship is a situation in which the annual payment amount on IBR-eligible student loans — as calculated under the 10-year, standard repayment schedule — exceeds 15% of the borrower's discretionary income. Discretionary income for IBR purposes is typically the amount by which adjusted gross income ("AGI") exceeds 150% of the federal poverty guideline for the borrower's family size. Family size is determined by counting the borrower, the borrower's spouse, and his or her children (if they receive more than half their support from the borrower).

For purposes of IBR, AGI is typically determined from the borrower's previous year's federal tax return. If the borrower is married and files jointly, it includes the borrower's spouse's contribution to AGI. If the borrower files his or her federal tax return separately, the spouse's income is not considered for purposes of IBR (although the spouse still counts in family size).

Under IBR, loan payments will be capped at 15% of the borrower's discretionary income or the payment amount under the standard repayment schedule, whichever is less. The payment amount is adjusted annually based on new discretionary income and family size information. Additionally, the borrower's discretionary income will be compared with his or her original 10-year standard repayment amount to determine if the borrower continues to have a partial financial hardship. If the borrower ceases to have a partial financial hardship, the monthly repayment amount is recalculated, but the borrower will not owe more than the IBR maximum amount. IBR payments are capped at the standard 10-year repayment amount that was determined upon *initial entrance into IBR (not the 10-year repayment amount based on the debt outstanding at the time a graduate enters LRAP)*.

Finally, payment under the IBR option allows for negative amortization. Therefore, if a borrower fails to earn forgiveness, the borrower will likely owe the Direct Loan program more than when the borrower originally entered IBR. However, the Law School is committed to its graduates working in the public interest. If a graduate leaves qualifying employment before earning forgiveness under the PSLFP but has met all other LRAP requirements, then the Law School will assist the borrower in payment of negative amortization to the extent the graduate would be entitled to such assistance under LRAP guidelines. The negative amortization assistance eligibility guidelines are discussed in detail below.

C. HOW LRAP WORKS

The following section provides an overview of how LRAP works. Specific terms and conditions are defined in the sections that follow. *Please note that graduates should not rely on support from the Program prior to completing an application and receiving approval from the Program Administrator.*

Loans are made annually by the Program ("LRAP Loans") to participants to assist them with repayment of their law school loans. The Program prospectively distributes the loan on a semi-annual basis, in January and July. The initial amount of the annual loan is determined on the basis of the participant's Qualifying Income, Qualifying Debt Service on Qualifying Debt, as hereinafter defined, and other information as reported on the annual application. Participants are eligible to receive LRAP distributions for ten years following graduation, provided that all Program conditions are met. Program eligibility may be extended by up to 24 months for Qualified Program Deferral periods.

On an annual basis, all participants must apply to the Program and sign a promissory note and/or statement of account. Additionally, participants must notify the Program of changes in status within 30 days of the effective date of the change. Should a change result in an amended monthly benefit amount, the modified benefit amount, plus any retroactive impact for benefits previously distributed, will be reflected beginning with the next semi-annual distribution.

LRAP Loans may be forgiven once participants accrue 36 months of eligibility in the Program. At the end of the year during which a participant reaches 36 months of eligibility, all outstanding LRAP Loans made by the Program will be forgiven, and LRAP Loans made in subsequent years to such participants will be forgiven annually. Participants who leave the LRAP Program prior to the forgiveness of their LRAP Loans must repay those loans to NYU School of Law. Such loans become repayable over ten years at an interest rate of 8% per year. Interest begins accruing on the outstanding loans on the date the participant became ineligible for the Program.

D. PROGRAM TERMS

1. Eligibility Period

Participants must be NYU School of Law JD graduates to be eligible for LRAP benefits. Provided that all other Program conditions are met, participants may receive LRAP benefits for up to ten years following graduation. The eligibility period begins in January of the year following a May graduation. For those graduates who graduate at times other than in May, the beginning of the LRAP eligibility period will be determined by the Program Administrator as appropriate considering the applicable loan grace periods.

Participants may request Qualified Program Deferrals, to a maximum of 24 months, subject to the approval of the Program Administrator. Qualified Program Deferral periods will extend a participant's eligibility period as otherwise defined herein. The Program will consider requests for such deferrals for the following reasons: continuing education, economic hardship, involuntary unemployment, temporary disability and parental leave. Participants are not eligible to receive Program benefits during a Qualified Program Deferral period. Approval of a Qualified Program Deferral is at the discretion of the Program Administrator and the participant will be required to submit the request in writing and to submit such other documentation as may be requested.

Certain participants who start out in LRAP-eligible but PSLFP-ineligible positions may qualify for an extension of Program eligibility for up to 36 months if they later switch to employment that is PSLFP-eligible. (See section D.7 below under the heading "Effects of Changes in Employment Status on Benefits.")

2. Qualifying Employment

A three-fold set of criteria is utilized to determine the eligibility of an applicant's employment. ALL of the following criteria must be met for a graduate to be considered eligible to receive benefits from the Program:

- Participants must be full-time, paid employees (those who work 35 hours or more each week) in eligible positions, as defined below. Graduates in unpaid positions, such as internships or volunteer positions, are not eligible to receive benefits under the Program.
 - Participants who are the primary caregiver for their dependent child(ren) up to the age of six and who are working less than full-time may continue to receive LRAP benefits from the Program subject to the following conditions:
 - Participants working at least half-time in eligible positions will receive benefits based upon Qualifying Income (see section D.5.) calculated ratably at the full-time equivalent rate for the position, and subject to all other conditions of the Program. Such periods will be included in the calculation of eligible time in the Program for purposes of Loan Forgiveness and Repayment as set forth further in section F. below.
 - Participants on approved parental leaves under the Family and Medical Leave Act of 1993 may continue to receive benefits for up to six months based upon Qualifying Income calculated at the participant's full-time salary immediately preceding such leave, and subject to all other conditions of the Program. Such periods will be included in the calculation of eligible time in the Program for purposes of Loan Forgiveness and Repayment as set forth further in section F. below.
 - Part-time employment is not eligible under PSLFP. Therefore, participants availing themselves of this option for LRAP coverage whose benefits were previously determined using IBR will be treated as a change in employment as noted below (See section D.7 below under the heading "Effects of Changes in Employment Status on Benefits.")
- Eligible positions include those in (a) federal, state, and local governmental units ("governmental unit"), or (b) domestic section 501(c)(3) and other not-for-profit organizations, or (c) international non-governmental organizations under the direction of a governmental unit or a section 501 (c) (3).
- Eligible positions must "involve law," as determined by the Program Administrator. Such positions generally require the employee to use his or her legal training to a significant degree, are often held by members of the legal profession, and/or generally have a minimal educational requirement of a JD degree.

Applicants working in for-profit organizations may be eligible to participate in the Program but require special review and approval by the Program Administrator to ascertain whether the position is intended to further the practice of law in the public interest. It is expected that at least fifty-one percent of the work being done by the organization and graduate will serve underrepresented populations.

Applicants who are self-employed require special review and approval by the Program Administrator. Please refer to the self-employment guidelines and supplemental self-employment application for additional information. Applicants should bear in mind that each self-employment situation is unique and requires individual assessment by the Program Administrator.

Judicial Clerkship Exception

NYU's LRAP Program is not intended to provide benefits to graduates who choose to take judicial clerkships. The Program does make exceptions, however, for those graduates who intend to proceed to LRAP-eligible employment, as defined above, within 30 days following the end of their clerkships. Graduates applying to the Program for LRAP benefits under the clerkship exception will be expected to sign a "[Statement of Intent](#)" before LRAP benefits are paid during clerkships. These LRAP benefit distributions are subject to all other terms of the Program, as well as to the following additional conditions:

- Interest will accrue at 8% per year on the outstanding balance of all loans made by the Program during approved, eligible clerkship periods ("Clerkship Loans"). No repayment of Clerkship Loans is expected during such clerkship periods.
- Accrued interest on Clerkship Loans will be forgiven by the Program for participants who, following an eligible clerkship, proceed immediately to LRAP-eligible employment and otherwise participate in the LRAP Program, and who remain in such a position for twelve consecutive months. In addition, at such time as the accrued interest is forgiven, the period of time in which the student participated in the clerkship will be included in the calculation of eligible time in the Program for purposes of Loan Forgiveness and Repayment as set forth further in section F. below.
- Clerkship Loans, plus accrued interest thereon, made to participants who do not enter LRAP-eligible employment within 30 days following their clerkships, or who do not remain in such employment for twelve consecutive months, become immediately repayable to the Program, subject to the LRAP Loan repayment terms outlined below in section F.

In accordance with the Program terms set forth in section D.4. graduates whose loans are in forbearance or deferment at any period during their clerkships will not be eligible for LRAP benefits for that period.

3. Net Asset Qualification

Participants must have total net worth (assets minus liabilities) of less than \$20,000. In the case of married participants or those in domestic partnerships, 50% of the combined net worth of the participant and his/her spouse/partner will be considered to be the net worth of the participant. All applicants must submit disclosure statements of net worth annually as part of the application process (with their first application for participation in a given year), and as part of the information submitted for a change in marital status. Qualified Retirement assets, such as 403(b), 401(k), or IRAs will be excluded from the net worth calculation for purposes of net asset qualification.

4. Qualifying Debt and Debt Service

LRAP recognizes debt service only on law school student loans approved and recognized by NYU. Law school student loans include formal educational debt disbursed within certified student loan programs and used to fund educational expenses in pursuit of the JD degree. LRAP does not recognize other debt including parental loans, personal loans (from financial institutions or individuals), and consumer debt (including credit card and home equity loans). Loans to cover bar-related expenses up to \$10,000 may be covered if all other criteria are met for determining qualifying debt.

NOTE: Only federal loans will be counted in determining Qualifying Debt, except as otherwise described below.

- For graduates from 2014 and beyond, and 2012 and 2013 graduates beginning with loans taken for the Fall 2011 term, non-federal student loans may be eligible for LRAP consideration ONLY as long as the applicant can demonstrate to the satisfaction of the LRAP Administrator that the applicant was ineligible to borrow federal student loans at the time the applicant was enrolled in the Law School.
- For graduates from 2009 through 2011, and for 2012 and 2013 graduates with respect to amounts borrowed for periods prior to the Fall 2011 term, private loans will still be considered for benefits.
- All participants who exclusively have federal student loans will be required to consolidate their law school federal student loans with the federal Direct Loan Program (see www.loanconsolidation.ed.gov), unless their loans are already with the Direct Loan Program. For those participants who have borrowed a combination of federal and private loans, the Law School recognizes that each situation is different. At the discretion of the LRAP Administrator, these participants may be required to consolidate their federal loans in order to be eligible for LRAP benefits. Applicants must keep a copy of their consolidation application to submit with their LRAP application. Graduates of the class of 2012 and beyond who have federal loans will not be required to consolidate because these graduates will already have all of their loans from the federal Direct Loan Program.

The amount of debt qualifying for consideration by the Program ("Qualifying Debt") is the lesser of:

- The original principal of the participant's actual law school loans ("Actual Debt"), as defined above, or
- An amount equal to three years (six semesters) of the standard student expense budget less aid received and less the student contribution calculated according to NYU's institutional formula ("Maximum LRAP-Eligible Debt")
 - Summer earnings in excess of \$15,000 per summer which were received during the period in which the participant was in school or in the summer immediately following graduation are deemed to be an addition to the student contribution.
 - For purposes of determining Qualifying Debt, the standard student expense budget may be increased by up to \$10,000 to cover bar study loans for students with demonstrated need as determined by the Program Administrator. Such determination of need must be made prior to receipt of a bar study loan.

With respect to eligible private loans, participants may decide to extend repayment periods. However, in such cases, LRAP will make disbursements to participants only for actual payments made or monthly payments that would be required on a 10-year schedule, whichever is less. Additionally, participants are not eligible for LRAP benefits for periods in which their loans are in deferment or forbearance, but may be eligible for a Qualified Program Deferral, as previously described in section D.1.

For graduates entering the Program following non-LRAP-eligible employment, NYU will make a "high earner" adjustment which recognizes earnings during such period(s) of ineligible employment and assumes accelerated repayment of law school debt on that basis. This adjustment is calculated by deducting from Qualifying Debt (as described above), an amount equal to 40% of the amount by which the participant's gross income exceeded the Base Qualifying Income amount(s) (as described in section D.5.) applicable during such periods of ineligible employment. *Qualifying Debt will be adjusted by this amount regardless of whether the participant actually made such payments.* For participants entering LRAP, the Program will not use the \$80,000 threshold when calculating the high earner adjustment. LRAP will calculate a qualifying income scale for future graduating classes consistent with prior LRAP guidelines and will use that qualifying income scale when calculating the high earner adjustment.

Should it be necessary to exclude from the calculation of Qualifying Debt some of an applicant's Actual Debt because it exceeds the Maximum LRAP-Eligible Debt, private loans and Grad PLUS loans will first be excluded, followed by unsubsidized Stafford loans, as necessary.

Once a participant's Qualifying Debt is determined, Qualifying Debt Service, upon which LRAP benefits will be calculated, will be determined based on the participant's monthly payment billed by their lender. Where the participant does not qualify for IBR due to a lack of financial hardship or falls within the limited parameters described in section D.7 below under "Effect of Changes in Employment Status on Benefits" the Alternate Benefit Calculation may be applied at the discretion of the Program Administrator. *Alternate Benefit Calculation refers to the LRAP benefit calculation used under LRAP guidelines for classes graduating from 2005-2008).*

In the event the Alternate Benefit Calculation is applicable, Qualifying Debt Service will be determined to be the lesser of a) monthly debt service payments on Qualifying Debt required on a ten-year level repayment schedule or b) monthly payments on Qualifying Debt based upon the participant's actual loan repayment schedule(s). To be eligible for inclusion as Qualified Debt Service, repayment on loans must be current. Payments on delinquent loans and debt service on loans in deferment or forbearance status are not eligible for consideration in calculating Qualifying Debt Service.

5. Qualifying Income

Program participants earning up to \$80,000 are eligible to receive LRAP benefits equal to 100% of their Qualifying Debt Service to the extent their Qualifying Debt Service is based on IBR. The \$80,000 income level is not subject to annual adjustment.

Qualifying income scales for each graduating class, upon which the Alternate Benefit Calculation and the "high earner" calculations are based, will be determined annually by NYU, using a formula based upon public service salaries utilized by the federal government. The Base Qualifying Income ("Base") figure for each year will be published in October of the preceding year. Adjustments of at least 10% will be made to Base Qualifying Income for career progression for classes entering their fourth and seventh years following graduation. Copies of the [Qualifying Income Scales](#) will be posted on our website or will be provided upon request.

A participant's Qualifying Income is defined as the participant's annualized gross income from employment, subject to the provisions for married participants or participants in domestic partnerships as outlined below. Gross income from employment includes, but is not limited to, wages, fees, bonuses, housing allowances, and income from self-employment, as may be applicable.

Program participants who are married or in domestic partnerships will have their Qualifying Income calculated subject to one of three scenarios:

- If the spouse's/domestic partner's annualized gross income from employment, as defined above, is less than the participant's gross income from employment, the participant's gross income from employment will be used as Qualifying Income; or
- If the spouse's/domestic partner's annualized gross income from employment, as defined above, is more than the participant's gross income from employment, the spouse's/domestic partner's gross income from employment will be added to the participant's gross income from employment and the sum divided by two to determine Qualifying Income; or
- If two Program participants are married or are in domestic partnerships, each will be treated as unmarried when calculating Qualifying Income

6. Participant Contribution

LRAP participants are expected to make a contribution to the repayment of their Qualifying Debt (the "Participant Contribution") under certain circumstances, as described below.

Participant Contribution Where Benefits are Based on IBR

LRAP benefit determinations for federal loans will be based on IBR for most participants. Those participants earning above \$80,000 will have a Participant Contribution which will be equal to 40% of the amount by which the participant's Qualifying Income exceeds \$80,000. For example, if a participant's Qualifying Income is equal to \$86,000, the participant's LRAP benefits will be reduced by \$200 each month ($\$86,000 - \$80,000 = \$6,000$; $\$6,000 \times 40\% = \$2,400$; $\$2,400/12 \text{ months} = \$200 \text{ per month Participant Contribution}$).

Participant Contribution under the Alternate Benefit Calculation

Participants are eligible for LRAP benefits for 100% of Qualifying Debt Service (see section D.4. above) if their Qualifying Income is less than or equal to the Base Qualifying Income for their class. Participants with Qualifying Incomes exceeding the Qualifying Income Cap, which is the applicable Base Qualifying Income plus \$30,000, will not be eligible to receive benefits, but may be eligible for LRAP Loan forgiveness, as described in section F. below

Participants with Qualifying Incomes that exceed the Base but that are less than the Qualifying Income Cap will have a Participant Contribution as follows:

- LRAP benefits will be reduced by a Participant Contribution equal to 40% of the participant's Qualifying Income between the Base and \$30,000 in excess of the Base. (For more detail on Participant Contribution determinations under the Alternate Benefit Calculation, please refer the Program Document for classes graduating from 2005-2008).

7. LRAP Benefit Calculation

LRAP benefits are calculated on the basis of Qualifying Debt Service as described in section D.4., Qualifying Income as described in section D.5., and the Participant Contribution as described in section D.6. The monthly LRAP benefit will be equal to the monthly Qualifying Debt Service less the monthly Participant Contribution. Please note that, under the Alternate Benefit Calculation, it is possible that applicants whose Qualifying Incomes are less than the Qualifying Income Cap will not receive a current monthly LRAP benefit if their expected Participant Contributions exceed their Qualifying Debt Service. In such cases, participants may remain eligible for LRAP Loan forgiveness, according to the terms outlined in section F.

Effect of Changes in Employment Status on Benefits

Self-employed participants or participants who are LRAP-eligible but otherwise ineligible for forgiveness under the federal PSLFP or for participation in IBR will not immediately be required to consolidate into Direct Loans and/or apply for the IBR payment option during the time they are self-employed or so ineligible. Benefits for such participants will be determined under the Alternate Benefit Calculation. However, such participants who later obtain PSLFP-eligible employment and are eligible for IBR may, at the sole discretion of the Program Administrator, be required to consolidate and enroll in IBR at that time. These LRAP applications will be reviewed on a case-by-case basis by the Program Administrator.

If an LRAP participant starts out in LRAP-eligible but PSLFP-ineligible employment, but later switches to a PSLFP-eligible position, the participant will be processed under the Alternate Benefit Calculation

guidelines set forth above, unless the participant made the change to PSLFP-eligible employment within his or her first 36 months of participation in LRAP.

If the participant made the change within the first 36 months, the participant will be subject to the general LRAP guidelines, except that the participant's eligibility time in LRAP may be extended for up to the same amount of time the participant was employed in a PSLFP-ineligible position. (*Note: Periods of LRAP-ineligible employment will not extend a graduate's LRAP eligibility time. A participant's LRAP eligibility will end ten years after graduation notwithstanding that the graduate may continue to have payments due on his or her law school loans after the participant's LRAP eligibility ends.*)

Negative Amortization and Negative Amortization Assistance

Participants who are required to enter the IBR program under LRAP and subsequently leave LRAP will likely be subject to negative amortization. Negative amortization occurs when the payment made by the borrower is less than the interest due, which is what generally happens when making payments under IBR. Depending upon when a participant exits LRAP, the participant may end up with a significantly increased debt load.

In order to address this issue, LRAP participants who have completed 36 months in LRAP-eligible employment will be eligible to receive assistance with the negative amortization on their LRAP-eligible Direct loans (Negative Amortization Assistance or "NAA"). *Only LRAP participants who complete 36 months or more in LRAP-eligible employment will be eligible for NAA.* Conversely LRAP participants completing fewer than 36 months in LRAP-eligible employment will be ineligible to receive any NAA. (*Note: Clerkship years will be included when calculating whether a participant has completed the 36 months required to receive NAA. However, in order for the clerkship time to be eligible for inclusion in the calculation, a participant must complete 12 months in an LRAP-eligible position immediately following the completion of the clerkship.*)

Following are scenarios describing common situations that may occur during a participant's time in LRAP and how LRAP's NAA policy will be applied. Any ambiguity or conflict within or question regarding the interpretation or application of these LRAP guidelines as they relate to NAA or otherwise will be made by the Program Administrator at the Administrator's sole discretion.

Determining NAA for a Participant Who Completes 36 Months or Greater in LRAP:

If a participant leaves the Program *after* completing 36 months in LRAP-eligible employment, the Law School will make a one-time payment directly to the federal Direct Loan program on behalf of the participant in an amount equal to the difference between what would have been outstanding under a standard 10-year repayment plan and the total amount outstanding on the eligible federal Direct loans at the time the participant left LRAP.

Participant Changes from PSLFP-eligible to PSLFP-ineligible employment:

If an LRAP participant changes from employment that is ineligible for forgiveness under the federal PSLFP but still LRAP-eligible, s/he may receive NAA calculated as of the time of the switch to PSLFP-ineligible employment.

Because the participant is then ineligible for forgiveness under PSLFP, at the time of the change to PSLFP-ineligible employment, he or she will be given the option of choosing to re-amortize his/her loans on a standard 10-year repayment plan or continuing in IBR.

If the participant chooses a standard 10-year repayment plan, then the participant will be subject to the Alternate Benefit Calculation, including the applicable income scales. *It is important to note that a*

participant choosing to change to a standard 10-year repayment option will not have his or her original LRAP benefit eligibility period extended and, therefore, may have a significantly large monthly payment due on his/her loans after the participant leaves the Program.

If the participant chooses to stay in IBR, s/he will likely have payments due after the expiration of the 10-year LRAP-eligibility period.

Since there is a possibility that the participant may later re-enter PSLFP-eligible employment and ultimately meet the criteria for loan forgiveness under that program, the participant should carefully consider his or her long-term career goals and financial planning before deciding on a repayment plan moving forward.

Other Non-NYU LRAP Benefits

Participants receiving benefits under other loan repayment assistance programs may have their NYU LRAP benefits reduced. As the guidelines for these programs may vary, the Program Administrator will work with the participant and other LRAP provider to determine the impact on benefits.

8. LRAP Loan Disbursement

LRAP benefits are distributed to participants as loans, which are forgiven by or repayable to the Program as outlined in section F. below. On the basis of the initial monthly LRAP benefit calculation for each year, a prospective annual LRAP benefit calculation will be completed, and will serve as the initial amount of the LRAP Loan to the participant for that year. The amount of the loan for participants entering at the beginning of a year will typically be 12 times the amount of the monthly LRAP benefit amount (if adjustments for over- or under-awards from prior periods are being applied, this will effect the amount of the loan). The loan amount for participants entering during other quarters will be based upon the number of months of anticipated participation for the year. For example, a participant who enters the Program mid-year and who is eligible for benefits effective on July 1 would have an initial loan amount of six times the calculated monthly benefit.

At the beginning of each year of participation, participants will be required to sign a promissory note or annual statement in the amount of the initial LRAP Loan. Distributions of the LRAP Loan will be made prospectively to participants on a semi-annual basis, in January and July, as outlined in the note. It is expected that the distributions will be utilized by participants to assist in the repayment of their loans (e.g., the January disbursement would be utilized in the payment of the January through June payments). Interest does not accrue on LRAP Loan distributions unless and until the Participant no longer qualifies for Program participation, according to the terms outlined in Section F. below. However, interest does accrue on Clerkship Loan distributions according to the Judicial Clerkship Exception provisions outlined in Section D.2.

As noted, projected LRAP benefits and the LRAP Loan amount are calculated prospectively, based upon the information provided by the participant at the time the application is completed, and on that basis may be modified from time to time. Participants are required to submit changes in status, including changes in salary, marital status, employment, and loan repayment status or amounts, within 30 days of the effective date of the change (see section G.2., below). If such a change results in an amended monthly benefit amount, the amended benefit amount, plus any retroactive adjustments for benefits previously disbursed, will be reflected in the next disbursement. At the end of each year, the participant will receive and be expected to sign a statement outlining the actual amount of loan disbursements received pursuant to the promissory note during the year.

Loans will be repayable to the Program subject to the terms of the promissory note, and the terms outlined in Section F. below.

E. SAMPLE LRAP BENEFIT DETERMINATION SUMMARY

The following is a summary of the steps used in determining applicants' eligibility for Program participation and the level of benefits to be received. The information presented here is for illustration only; please bear in mind that individual circumstances vary widely. Please refer to the website for information pertaining to [Qualifying Income Scales](#) for your class.

1. Qualifying Employment Determination

Applicants provide details about their employment and employer, as outlined in section D.2. Applicants employed by governmental units and agencies, as well as charitable organizations (typically organizations with 501(c)(3) tax status) are typically eligible to participate in the Program, provided that their work with the organization involves law. Other positions and self-employment require the approval of the Program Administrator.

2. Net Asset Qualification

Applicants complete a disclosure of assets and debts to calculate their net assets, as outlined in section D.3. Applicants with net assets (assets less debts) exceeding \$20,000 are not eligible for participation in the Program.

3. Qualifying Income Determination

Applicants provide details on their gross income and that of their spouse or domestic partner. Gross income includes earnings from employment as defined in section D.5. The rules for married participants or those in domestic partnerships, as explained herein, are applied in the determination as appropriate. If Qualifying Income is greater than the participant's allowed cap, the applicant is not eligible to receive LRAP benefits, but may remain eligible for LRAP Loan forgiveness subject to the terms outlined in section F.

4. Qualifying Debt Service Calculation

Applicants provide details regarding their law school loan obligations. The amount of a participant's Actual Debt is compared to the calculated Maximum LRAP-Eligible Debt, as outlined in section D.4. The lesser of the Actual Debt of the applicant or the Maximum LRAP-Eligible Debt is used in calculating the applicant's Qualifying Debt Service, which is then used to calculate the LRAP benefit.

The following are examples of Qualifying Debt Service calculations:

<i>Sample Participant Information</i>	<i>Graduate</i>	
	<i>A</i>	Graduate B
1. Law school loans – original principal (Actual Debt)	\$120,000	\$120,000
2. Monthly law school loan debt service (10-year)	1,200	1,200
3. Three year standard student budgets	150,000	150,000
4. Scholarships & grant aid received	30,000	0
5. Student contribution (3-year total)	10,000	6,000
6. 1L summer earnings	5,000	22,000
7. 2L summer earnings	22,000	22,000

Step 1 – Calculation of Maximum LRAP-Eligible Debt

Maximum debt = Item 3 (from Participant Information, above) – Item 4 – Item 5 – (greater of (Item 6 – 15,000) or 0) – (greater of (Item 7 – 15,000) or 0)

	Graduate A	Graduate B
Maximum LRAP-Eligible Debt	\$103,000	\$130,000

Step 2 – Determination of Qualifying Debt

Qualifying Debt = lesser of maximum debt (Step 1) or actual debt (Item 1)

	Graduate A	Graduate B
Qualifying Debt	\$103,000	\$120,000

Step 3 – Calculation of Qualifying Debt Service:

Qualifying Debt Service = (Qualifying Debt (Step 2)/Actual Debt (Item 1)) x actual monthly debt service (Item 2)**

	Graduate A	Graduate B
Qualifying (monthly) Debt Service	\$1030	\$1200

***Note: if Qualifying Debt is less than Actual Debt, loans are reduced as required for the calculation in the order outlined in section D.4., and Qualifying Debt Service is ratably reduced on a loan-by-loan basis based upon that principal reduction. The illustration above assumes that all individual loans bear the same rate of interest and that the payments bear the same relationship to the original principal.*

5. LRAP Benefit Calculation

Alternate Benefit Calculation:

If a participant's Qualifying Income, as defined in section D.5. is less than the Base Qualifying Income for his/her class, the participant will receive LRAP benefits equal to 100% of Qualifying Debt Service. If the participant's Qualifying Income exceeds the Base but is less than the Qualifying Income Cap, the LRAP benefit will be reduced by the Participant Contribution, as defined in section D.6. This contribution is equal to 40% of the participant's Qualifying Income between the Base and \$30,000 in excess of Base.

The following chart, *which utilizes a Base Qualifying Income amount of \$47,000 for purposes of the illustration only* (consult the published schedule for the actual [Base Qualifying Income](#) for your graduating class), illustrates the Participant Contribution at a number of Qualifying Income amounts:

SAMPLE PARTICIPANT CONTRIBUTION CALCULATIONS		
Annual Qualifying Income	Annual Participant Contribution	Monthly Participant Contribution
ASSUMED BASE QUALIFYING INCOME: \$47,000		
\$47,000 or less	\$0	\$0
\$49,000	\$800	\$66
\$54,000	\$2,800	\$233
\$64,000	\$6,800	\$567
\$69,000	\$8,800	\$734
\$77,001 or more	100% of debt service	100% of debt service

Considering Graduates A & B from the Qualifying Debt Service example above, the following are examples of monthly LRAP benefit calculations, assuming that Graduate A has annual Qualifying Income of \$49,000 and Graduate B of \$69,000, and utilizing the sample Qualifying Income scale above:

Step 1 – Calculation of Participant Contribution

Annual participant contribution = 40% of the Qualifying Income in excess of the Base Qualifying Income but not exceeding \$30,000 in excess of the Base.

Monthly participant contribution = Annual participant contribution / 12

	Graduate	
	A	Graduate B
Qualifying Income	\$49,000	\$69,000
Annual Participant Contribution	800	8,800
Monthly Participant Contribution	\$66	\$734

Step 2 – Calculation of Monthly LRAP Benefit

Monthly LRAP benefit = Qualifying Debt Service – monthly Participant Contribution

	Graduate	
	A	Graduate B
Qualifying Debt Service (D4, Step 3)	\$1030	\$1200
Monthly LRAP benefit	\$964	\$466

6. LRAP Loan Disbursement

On the basis of the initial monthly LRAP benefit calculation for each year, the amount of the participant's initial LRAP Loan is determined, and the participant will sign a promissory note in that amount. The loan amount will be distributed to the participant on a semi-annual basis in January and July. The amount of each disbursement is typically six times the monthly benefit amount, and the amount of the initial LRAP Loan is typically 12 times the monthly amount. Retroactive adjustments may impact the loan and disbursement amounts, and the amount of disbursements in subsequent quarters may change due to changes in status and eligibility.

Following the example from above, the benefits for Graduate A would result in an initial annual LRAP Loan of \$11,568 (\$964 monthly benefit x 12 months), which would be disbursed to the participant in semi-annual installments of \$5784. The benefits for Graduate B would result in an initial annual LRAP Loan of \$5,208 (\$434 monthly benefit x 12 months), which would be distributed to the participant in semi-annual installments of \$2,604. It is important to bear in mind that LRAP Loan distributions are made prospectively, and changes in status (employment, debt, marital status, etc.) occurring subsequent to the annual application would change the monthly benefit beginning on the effective date of such a change.

F. LOAN FORGIVENESS AND REPAYMENT

LRAP Loans, including Clerkship Loans as referenced in section D.2., are repayable to the Program unless the obligation to repay the loan has been forgiven by the Program.

LRAP Loans are forgiven once participants accrue 36 months of eligibility in the Program. At the end of the year during which a participant reaches 36 months of eligibility, eligible LRAP Loans made by the Program will be forgiven, and loans made in subsequent years to such participants will be forgiven annually. For purposes of determining eligibility for forgiveness, graduates will accrue one month for each month for which they receive benefit distributions, as well as for each month during which they are no longer receiving current benefits but during which time they have remained continuously in qualifying employment, as defined above and determined by the Program Administrator. Participants whose income precludes them from receiving current benefits but who remain in qualifying employment must complete an annual LRAP application.

Participants who leave the LRAP Program prior to the forgiveness of their LRAP Loans must repay those loans to NYU School of Law. Participants who are in periods of Qualified Program Deferral (see section D.1.) will not be required to repay the loans, and the loans will not accrue interest, during the Deferral Period if they express, in writing, their intent to return to the Program immediately following such Deferral. In addition, participants who remain in qualified employment but who are no longer receiving benefits and who have not yet accrued 36 months of eligibility will not be required to repay the loans as long as they meet the requirements noted above.

Loans that become repayable to the Program will be amortized on a monthly basis over a period of time set by (and at the discretion of) the Program Administrator and at a rate of 8% per year. Interest begins accruing on the outstanding principal balance on the date the participant no longer qualifies for Program participation; repayment is expected to begin 90 days following departure from the Program.

Should a participant return to qualifying employment, in accordance with section D.1., after beginning to repay his or her LRAP Loans, the obligation to make current payments on the then-outstanding principal amount of the loans will cease at such time. Such a participant will accrue additional months of eligibility towards forgiveness as otherwise provided herein. In such cases, the outstanding principal amount of the loan at the time of re-entry will be added to the principal amount of loans subsequently disbursed by the Program to the participant, and this amount will be eligible for forgiveness or become repayable subject to the terms outlined above.

G. PARTICIPANT RESPONSIBILITIES

All participants are expected to abide by the rules and requirements of the Program. Failure to accurately disclose material information in a timely manner, as well as failure to utilize Program distributions to repay law school loans, may result in suspension from the Program and ineligibility to receive future benefits.

1. Annual Application

Participants must apply annually to LRAP. Applications for LRAP are available at a secure online site. Please contact the NYU School of Law Office of Student Financial Services at law.lrap@nyu.edu for the application form link and instructions. The application period is from September 1 - October 15 of the calendar year prior to that for which benefits are being requested. Applicants who have just graduated, or who initially become eligible (or become re-eligible) at other times during the year (due to changes in status such as employment and loan repayment), may apply up to one month prior to the next disbursement date. Please consult the website for the application enrollment periods and deadlines. In addition, applicants are required to inform NYU within 30 days of changes regarding their employment, marital status, and loan repayment status that may impact eligibility for LRAP benefits, as outlined further in section G.2. below.

Supporting Documentation

A complete application must be submitted by the above deadline to ensure timely benefit disbursements. Applications received after the deadlines may result in ineligibility for the next scheduled disbursement. Along with the completed LRAP application, an applicant must submit copies of all required supporting documentation, including, but not limited to:

a. Employment and Income Documentation

- A copy of the applicant's and spouse's/domestic partner's, if applicable, most recent federal income tax return, including all schedules and w-2s.
- Copies of the applicant's and spouse's/domestic partner's forms 1099, if applicable.
- A recently dated letter from the employer(s) stating position, current salary and effective date; OR a completed [Employer Verification Form](#).
- Copies of the applicant's and spouse's/domestic partner's most recent pay stub(s).
- Self-employed individuals will be required to submit a supplemental [Self-employment Application](#), and provide additional information regarding business revenues and expenses, as outlined in the application. The Program Administrator will work with the participant to determine the documentation requirements for such circumstances.

b. Loan Principal and Debt Service Documentation

- Completed [Loan Verification Form](#); OR
- Copies of bills (disclosure statements or coupons) for all loans listed on the application.
 - If loans have been consolidated, a copy of the consolidation disclosure statements that includes pay-off amounts for all non-law school loans included in the consolidation.
- Proof of payment status for all loans for all periods of participation
 - Copies of website printouts or cancelled checks may be acceptable depending on the information contained therein.
 - Loans must be in repayment status and current.

2. Notification of Changes

Participants must notify the Office of Student Financial Services within 30 days of the effective date of a change in eligibility or within 30 days of the date upon which they became aware of such a change. Changes that must be reported include (but are not limited to) changes in salary, marital status, employment, and loan repayment status or amount. Changes to loan payments based solely on interest rate adjustments should not be reported, except on the annual application, and benefits will not be adjusted on that basis. Participants will be required to submit supporting documentation to substantiate the change(s), in the form(s) noted in section G.1. above.

Changes are to be submitted to NYU via the online application system. Failure to notify the Office of Student Financial Services via the online system (or otherwise in writing, should the system not be available) within 30 days of a change will result in the loss of benefits or imposition of penalties.

LRAP benefits will be recalculated as of the effective date of a reported change, and any adjustment to the loan amount resulting from the change will be reflected beginning with the next semi-annual disbursement. Participants who receive award overpayments as a result of changes in eligibility will be required to return the amount of the overpayment to the Program, as outlined in section G.3. below. Participants who are eligible for an increased monthly benefit amount will receive any retroactive adjustment as part of the next disbursement.

3. Repayment of Award Overpayments

LRAP benefits are disbursed prospectively on a semi-annual basis, based upon annual salary and debt service amounts at the time of last application or notification of change. If a participant experiences a material change in status that results in a reduction of monthly benefits which have previously been disbursed, the disbursement for subsequent periods will be reduced accordingly to recover the overpayment. If a participant who received an overpayment of benefits no longer qualifies for current benefits, the amount of the overpayment is immediately due and payable to the Program.

4. Other Responsibilities

Participants remain responsible for ensuring that they meet the federal criteria for IBR and PSLFP, and are advised to carefully review the terms and conditions of these programs. Participants should also carefully evaluate and consider their long-range career goals and financial plans before determining whether to participate in LRAP under the guidelines set forth herein. We strongly encourage anyone considering LRAP to schedule a one-on-one appointment with an LRAP counselor.

H. PROGRAM ADMINISTRATION

The Loan Repayment Assistance Program is administered by the NYU School of Law Office of Student Financial Services. For further information please contact us as follows:

NYU School of Law
Office of Student Financial Services
245 Sullivan Street, Suite 400
New York, NY 10012
(212) 998-6050

law.lrap@nyu.edu

<http://www.law.nyu.edu/depts/financialaid/lrap/index.html>

NOTE: While NYU is strongly committed to LRAP, it is important to note that neither the existence of the Program nor the formula used by the Program to calculate benefits is guaranteed. The formula and other terms of the Program will be determined at the discretion of the Program Administrator and may be adjusted as Program resources, participation rates, and indebtedness of participants change. Participants may receive more or less funding in succeeding years.

NOTE REGARDING TAXABILITY OF LRAP LOAN FORGIVENESS: The forgiveness of LRAP Loans is, in most cases, not subject to federal income tax pursuant to Section 108(f) of the Internal Revenue Code. Participants who are working for or under the direction of a governmental unit or an organization described in 501(c)(3) of the IRC generally will not have this forgiveness added to their gross income. Section 108(f) of the Internal Revenue Code (IRC) details the requirements for tax-free forgiveness. Please feel free to refer to IRS [Publication 970](#) for an overview of the treatment of LRAP loan forgiveness, as well as the deductibility of student loan interest payments. By providing you with this information NYU is not rendering, or purporting to render, legal or. NYU strongly urges participants to consult with their tax advisors regarding the taxability of the forgiveness of their loans.