

**Effective February 1, 2019**

## **THE COLUMBIA LAW SCHOOL LOAN REPAYMENT ASSISTANCE PROGRAM**

Columbia Law School always attempts to ensure that, to the extent possible, changes in the coverage and policies of the Loan Repayment Assistance Program (LRAP) do not prejudice the interests of graduates who made fundamental decisions in reliance on the basic features of the Program at the time they entered the Law School. Applicants should be aware that other factors, including fiscal constraints and the changing needs of the legal community, also will be considered in determining the design and administration of the Program over the years. Eligibility and the extent of support available under the Program will be determined at the time a graduate applies to the Program, in accordance with the rules and policies then applicable.

In addition to the traditional LRAP, participants may elect to combine the Columbia Law School LRAP with the federal Public Service Loan Forgiveness (PSLF) Program. For more detailed information about combining the programs, please refer to the “Combining LRAP with the Federal Program” section of this document. It is highly recommended that all students consider consolidating their federal loans through the Direct Loan Consolidation Program at the start of participation in the Columbia Law School LRAP in order to keep open the option to use the federal program now or in future years.

### **Terms of the Program--a Brief Summary**

To help **Columbia JD graduates** who enter qualifying legal employment in repaying their educational loans, Columbia’s LRAP provides financial assistance in the form of loans from the Law School. The amount of the LRAP loans is determined by a) the level of educational indebtedness and b) the adjusted gross income of the Program participant and his/her spouse (if applicable). Loans from LRAP are not repayable so long as the participant remains in qualifying employment. Under certain circumstances, LRAP loans for participants who remain in qualifying employment may be gradually forgiven.

### **Employment Covered by the Program**

Qualifying employment is full-time work that makes direct use of a graduate's legal education in the public interest or public service sectors, or in legal services for the poor. Public interest work means work for an entity whose proclaimed purpose is the advancement of a vision of the public good that is broader than the interest of particular clients; such entities will normally be 501(c)(3) non-profit organizations, but also can be international non-governmental organizations (NGO's). Public service means employment by a governmental agency. Legal services for the poor will ordinarily mean work for a 501(c)(3) non-profit organization providing legal services to a specifically defined, low-income population, but may include private practice where the practice is limited to clients comparable to those served by government-supported and non-profit legal services organizations. The Law School will determine whether or not a particular job meets these qualifications. For participants working in government or a 501(c)(3) organization,

loan amounts forgiven may not be considered taxable income. For participants working in LRAP-eligible positions in the private sector or outside the US, LRAP loan forgiveness is reported to the IRS and a Form 1099-MISC is issued. Please consult with a tax advisor regarding IRS reporting requirements.

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the “Combining LRAP with the Federal Program” section for details.

### **Educational Indebtedness Covered**

Indebtedness included in calculations for benefits is formal debt incurred by the participant for payment of educational expenses up to the standard student budget at Columbia Law School—that is, loans for standard law school expenses under institutionally approved and certified loan programs. Thus, all federal loans are included (Stafford, Graduate PLUS, and Perkins), as well as Columbia University loans, and some supplemental private credit-based educational loans. For terms in residence at the Law School, loan fees included by the Financial Aid Office in the cost of attendance are also considered part of the standard student budget. Effective August 1, 2018, bar exam loan debt, including the Columbia Law School Public Service Bridge Loan, is considered LRAP eligible debt for up to a maximum of \$10,000 in borrowing per participant.

Personal loans from banks or from family members, and credit card and consumer debt are not covered under the Program, even when they are used to finance higher education. Other loans not covered are commercially available educational loans not certified by the Financial Aid Office and loans taken out by parents or others to finance a student's education. Under certain circumstances, the Financial Aid Office authorizes educational loans to cover expenses beyond the Law School's standard student budget. However, these loans are not covered under the Program. For joint-degree programs, only the Columbia Law School portion of the joint-degree debt is covered (loans certified for terms in residence at the Law School). The Program does not cover educational indebtedness from any other graduate education, including loans borrowed at another law school.

A participant's undergraduate debt payments will be subtracted from the participant's adjusted gross income before the Program calculates the amount the graduate is expected to contribute toward his/her debt repayment. See “Calculating Annual Awards” for greater detail.

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the “Combining LRAP with the Federal Program” section for details.

### **Adjusted Gross Income**

Income to be included for purposes of the LRAP benefit calculation includes adjusted gross income as determined by the federal tax form, plus any untaxed income and voluntary retirement contributions. In the case of married graduates, the income figure used for calculations will be either the participant's income or one-half of the calculated joint income, whichever is higher. The Program will subtract a spouse's annual educational loan debt service up to \$10,000 per year from the spouse's income before the joint income is determined (unless both spouses are Columbia Law School graduates participating in LRAP). In cases where the resulting spousal income figure is lower than the participant's income, the participant's income figure will be used in calculating benefits. For example, if the participant's income is \$80,000, the spouse's income is \$85,000, and the spouse's income is reduced to \$75,000 by a \$10,000 annual educational loan debt service, the participant's \$80,000 income will be used to calculate LRAP benefits. The Program assumes, at a minimum, a standard ten-year repayment schedule for the spouse's

educational loan debt, as appropriately documented. If examination of the required tax forms indicates possession of significant assets, further information, and an adjustment to LRAP benefits may be required. As mentioned above, documented payments for the participant's undergraduate debt will be subtracted from the Adjusted Gross Income before benefits are calculated.

In cases where two Columbia LRAP participants are married to each other and would be eligible for LRAP benefits based on their individual income, then LRAP benefits for each can be calculated independently of the other.

A dependent allowance for the participant's child(ren) may be permitted. See the "Dependent Allowance" section for greater detail.

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the "Combining LRAP with the Federal Program" section for details.

### **Spousal Educational Loan Debt**

If the LRAP participant is married, the income figure used for LRAP benefit calculations will be either the participant's income or one-half of the calculated joint income, whichever is higher. In determining the joint income, the Program will first reduce the spouse's income by up to \$10,000 per year for documented annual educational loan debt service. In cases where the resulting spousal income figure is lower than the graduate's income, the graduate's income figure will be used for the benefit calculation (see example "Adjusted Gross Income," above). The Program assumes, at a minimum, a standard ten-year repayment schedule for the spouse's educational loan debt. If a participant's spouse is eligible to receive benefits from external loan repayment programs (federal, state, institutional, other), the participant is required to notify the Financial Aid Office of the source and amount of the award. The external loan repayment program benefits may impact the participant's LRAP eligibility.

### **Calculating Annual Awards**

LRAP participants will be expected to contribute a portion of their adjusted gross income (plus any untaxed income and voluntary retirement contributions) to their annual educational loan repayment obligations in accordance with the chart below. The Program assumes a standard ten-year post JD repayment schedule for educational loan programs, and covers the participant in qualifying employment for that period of time. Since private loan payments may often be on a 15–30 year repayment term, it is recommended that participants reschedule such loans over a 10-year period in order to maximize their LRAP benefits. Since participants then will be receiving higher benefits, they also must make the higher loan payments to remain eligible for LRAP benefits, even if their lender requires a lower monthly payment. NOTE: Lenders normally will not redisclose a loan for a repayment term shorter than stated in the original promissory note. However, they usually will provide information on monthly repayment amounts for a 10-year repayment schedule. Contact your lenders directly.

<b>Annual Income</b>	<b>Portion of Annual Income Expected to be Applied Toward All Eligible Loan Repayments</b>
\$55,000 or less	0%
\$55,001 and over	34.5% of amount over \$55,000

For example, at a salary of \$55,000 the participant has no required contribution toward his/her eligible annual loan repayment; at a salary of \$60,000 the participant's expected contribution is \$1,725; at a salary of \$70,000 the participant's expected contribution is \$5,175.

The amount of the LRAP loan made to Program participants will be the difference between the eligible debt repayment obligation and the expected contribution. For example, if the participant earns \$70,000 and has \$12,000 in annual educational loan debt servicing for eligible Law School loans, s/he will receive an LRAP loan in the amount of \$6,825 (\$12,000 - \$5,175 = \$6,825).

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the "Combining LRAP with the Federal Program" section for details.

**Eligibility for Loan Forgiveness**

For LRAP participants who remain in the Program for less than three years all LRAP funds advanced for loan repayment assistance are repayable to Columbia Law School at a fixed interest rate. After three or more years of qualifying employment, LRAP loans may be forgiven in whole or in part. The following schedule indicates what percentage of the LRAP loans must be repaid, depending on the length of qualifying employment:

Years of LRAP Participation ( <u>must be in qualifying employment</u> )	Percent of LRAP loan that Columbia will forgive during participation period	Percent of LRAP loan to be repaid to Columbia if participant is no longer in qualifying employment
Less than 1 year	0	100
1 year but less than 2	0	100
2 years but less than 3	0	100
3 years but less than 4	33	67
4 years but less than 5	67	33
5 years but less than 6	100	0
6 years but less than 7	100	0
7 years but less than 8	100	0
8 years but less than 9	100	0
9 to 10 years	100	0

For participants working in government or a 501(c)(3) organization, LRAP loan amounts forgiven may not be considered taxable income. For participants working in LRAP-eligible positions in the private sector or outside the US, LRAP loan forgiveness is reported to the IRS and a Form 1099-MISC is issued. Please consult with a tax advisor regarding IRS reporting requirements.

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the "Combining LRAP with the Federal Program" section for details.

**Repayment of Loans**

LRAP loans are not repayable so long as the participant remains in qualifying employment and submits the required application materials each year. To remain in the Program, complete applications are required annually, even if the participant no longer is eligible to continue receiving

additional LRAP loan funds. Failure to submit complete applications will result in the loss of forgiveness of earlier LRAP loans and of eligibility for LRAP loan repayment deferment.

LRAP loans not yet forgiven become repayable when the participant leaves qualifying employment. Interest on LRAP loans in repayment begins as of the date of departure from the qualifying position, and the maximum repayment term is ten (10) years. Repayment terms differ for LRAP loans made for judicial clerkships (see “Clerkship Benefits,” below). Currently, interest is charged at the annual rate of five percent (5%). The LRAP participant must immediately notify the Financial Aid Office upon leaving qualifying employment. Information regarding the amount of original LRAP benefits received and any accrued interest will be sent to the graduate along with a reference form which must be returned to the Financial Aid Office no later than 60 days after qualifying employment ends. The reference information is given to Columbia’s Student Financial Services, which is charged with handling the collection of LRAP loans, as well as all other Columbia University student loans. The Columbia University Loan Collection division will administer all matters relating to the collection of LRAP loans.

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the “Combining LRAP with the Federal Program” section for details.

### **Application Procedures and LRAP Loan Disbursement**

LRAP applications are available through the Law School’s Financial Aid Office. LRAP benefits will be calculated as of the date the participant enters qualifying employment, unless the application is completed at a later date. LRAP benefits will not be accorded retroactively. In order to ensure timely receipt of funds, the initial application materials should be submitted and completed at least one month before qualifying employment begins. Continuing Program participants must reapply annually, whether or not they are eligible to receive additional LRAP loan benefits.

If eligible to receive LRAP loans, participants are sent a promissory note that must be signed before loan funds can be disbursed. For each subsequent year that the participant is eligible for LRAP funding, an amended promissory note must be signed before new LRAP loan funds are disbursed. LRAP loan disbursements are sent directly to the participant and generally are disbursed two times per year, in January and in July. However, for first-time participants, LRAP funds initially will be disbursed either just before their educational loan repayments are due, or, if submitted later, typically within one month after submission of the completed LRAP application materials.

To remain eligible for continued loan forgiveness and exemption from repayment of their LRAP loans, participants who continue in qualifying employment but are not eligible to receive additional LRAP loans must submit the required application materials every year. If a renewal application for the new Program year is not received before the end of the prior Program year, the Financial Aid Office will assume that the participant is no longer in qualifying employment. Repayment will then begin according to the guidelines described in this memorandum.

### **Clerkship Benefits**

Graduates undertaking judicial clerkships may be eligible for LRAP benefits during their clerkship year(s) under the same terms as participants in other qualifying employment. However, LRAP loans made for clerkship periods are not interest-free; they accrue interest at a fixed annual rate (currently 5%, deferred until repayment begins). Following the clerkship, if the graduate enters employment covered by the Program, regular benefits will continue and the interest

accrued during the clerkship period will be reversed. In these instances the clerkship period is counted toward time served in qualifying employment for purposes of LRAP loan forgiveness. If the graduate follows the clerkship immediately with non-qualifying employment, the LRAP loan benefits provided during the clerkship plus the accrued interest will be repayable within the next two years.

### **Loan Consolidation Programs**

Participants who consolidated their educational loans and extended their loan repayment period should be aware that LRAP benefits will cover only the first ten (10) years of loan repayment beginning immediately following the J.D. degree (see “Time Limits”). Benefits will be calculated based upon the actual monthly payment amount under consolidation. Also, only the portion of the consolidated loan representing eligible Columbia Law School debt will be covered by the Program.

For participants combining LRAP with the federal Public Service Loan Forgiveness Program, please refer to the “Combining LRAP with the Federal Program” section for details.

### **Prohibition of Default**

All Program participants must be current on their loan payments and have no outstanding balance on their Columbia University account. Default and delinquency will disqualify an applicant from LRAP participation, and will terminate any further Program eligibility.

### **Time Limits**

No graduate may enter the Program later than seven years following the date of graduation from Columbia Law School.

LRAP loan benefits will not be continued after December 31<sup>st</sup> of the tenth year following the date of graduation, unless the LRAP participant was placed in deferment under the guidelines stated below (see “Leaves and Deferments”).

During the ten-year time limit, graduates may enter or leave the Program whenever their employment qualifies them for participation, provided the first entry into the Program is within seven years of graduation. However, the graduate's earnings during periods of non-participation are taken into account in the calculation of further benefits (see “Non-Program Earnings”).

### **Non-Program Earnings**

A graduate's earnings during periods of non-qualifying employment (e.g., private sector) are taken into account in the calculation of future LRAP benefits by applying the LRAP participant contribution formula to non-program earnings. Therefore, LRAP-calculated expected debt service payments during periods of high-wage, non-qualifying employment may be two or more times the lender's required minimum payment amounts, depending on the graduate's income and loan obligations. The graduate's income during such periods may greatly reduce, if not eliminate, eligibility for Program loan benefits during subsequent periods of eligible employment. For example, with an annual salary of \$180,000, the graduate would be expected to pay \$43,125 in educational debt service that year, based on the LRAP formula of no expected contribution toward loan servicing on the first \$55,000 of salary and 34.5% on the remaining \$125,000 (\$43,125). Graduates applying to the Program after periods of non-qualifying employment must submit documentation of income and debt service covering the periods of non-qualifying employment.

The difference between what the graduate was expected to contribute toward loan repayment during such periods, and the actual amount paid, will be deducted from future LRAP benefit eligibility.

### **Leaves and Deferments**

A participant in the Program may request a leave or deferment of up to two years for specific purposes. Participants must submit a written request to the Financial Aid Office stating reasons for deferment. Those leaving public interest work for private sector employment do not qualify for deferments, and will be required to begin repayment on their LRAP loans. Participants granted a deferment from the Program will not be eligible for benefits during the deferment period. However, interest will not accrue on the LRAP loan during an approved deferment period. If the participant does not return to the Program after two years, the LRAP loans will become payable to the extent not forgiven.

### **Dependent Allowance**

\_\_\_\_\_ In determining gross income, an exemption of up to \$10,000 for each minor dependent child (under the age of 18 years) will be subtracted from the income to determine the adjusted income for a participant. In the case of two participants in LRAP with dependent children, the total number of children will be divided between the participants. For example, a married couple both of whom participate in LRAP and have 1 child will result in each participant having \$5,000 deducted from their respective income.

### **Parental Leave**

Columbia's LRAP will provide benefits for up to six (6) months for a participant on an employer-approved parental leave. LRAP eligibility will be calculated as if the participant were working full-time during this period.

### **Part-time Work**

Columbia's LRAP allows participants caring for young children to receive Program benefits if they are working at least half-time in qualifying employment. The participant's contribution toward his/her debt servicing will be based on an imputed full-time salary. The participant must be the primary caregiver of a child under the age of nine (9) years and must be in paid qualifying employment on at least a half-time basis.

### **Combining LRAP with the Federal Program**

In addition to the traditional LRAP, participants may elect to participate in both the Columbia Law School LRAP and the federal Public Service Loan Forgiveness (PSLF) Program. The College Cost Reduction and Access Act of 2007 (CCRAA) created a federal loan forgiveness option for borrowers who hold public service jobs. Income-Driven Repayment (IDR) is coupled with federal PSLF to provide a loan repayment program with substantial benefits. Criteria for IDR, PSLF, and LRAP are different; some graduates will qualify for some but not all of the programs. Although the benefits of each program are significant, the benefits of combining all three are potentially substantial. However, there are also cautions. We advise participants to carefully

review the federal programs, IDR and PSLF to ensure that their participation meets the federal criteria.

Furthermore, although graduates have the option of electing the traditional LRAP or the program that combines Columbia's traditional LRAP with the PSLF program, participants cannot change their LRAP participation preference after they start in the Program. The LRAP participant's selected preference will be in effect for the entire duration of their LRAP participation.

The federal IDR and loan forgiveness provisions require borrowers to have borrowed Direct Loans or to have consolidated their federal loans, including Perkins and FFEL Program Loans, through the Federal Direct Consolidation Program. Note that supplemental credit-based loans from private lenders cannot be consolidated in this program. However, you may include federal educational loans for programs other than law school, such as loans for undergraduate or other graduate education.

Once loans are consolidated, graduates may enter IDR and make payments based on their income. The amount of the payment is a percentage of discretionary income, which is defined as the amount over a set percentage of the poverty level based on the qualifying IDR plan. The amount of the poverty level is generally reset on an annual basis by the U.S. Department of Health and Human Services ([www.hhs.gov](http://www.hhs.gov)). Helpful links to repayment calculators for IDR are available on Columbia's Financial Aid website ([www.law.columbia.edu/financial-aid](http://www.law.columbia.edu/financial-aid)) under the "LRAP for Public Interest Lawyers" section. A caution with IDR is the potential of negative amortization. If the IDR payment is less than the interest that accrues on your loan, the unpaid interest will be added to principal, and your outstanding debt could increase.

After making 120 payments using IDR, a participant's outstanding loan, including amounts of unpaid interest added to principal, could be forgiven. To qualify for loan forgiveness in the federal program, a participant must have worked full-time for a total of 120 months in a qualifying public service position on or after 10/1/2007. Participants must have made 120 qualifying IDR loan payments on Federal Direct Loans during the period of qualifying public service employment. The participant's Federal Direct Loans must not be in default. Borrowers must carefully review the federal program to ensure that their loan borrowing and repayment options fit into their long-term financial planning.

There are two ways to combine LRAP with the federal program. It is highly recommended that all students consider consolidating their federal loan through the Direct Loan Consolidation Program and enter IDR at the start of participation in the Columbia Law School LRAP in order to avail themselves of the option to use the federal program now or in future years.

In the first option, LRAP benefit eligibility will be calculated using a higher adjusted gross income threshold in accordance with the chart below. LRAP will cover 100% of eligible IDR payments for participants whose annual income does not exceed \$100,000. Participants will be expected to contribute 34.5% of income above \$100,000 toward their annual debt service on educational loans. LRAP benefits will be calculated using IDR payment amounts. While this option greatly reduces the participant's cost over the life of the program, the debt is not amortized.

Amortization is the process by which your loan principal decreases over the life of your loan; with each loan payment that you make, a portion of your payment is applied towards reducing your principal and another portion of your payment is applied towards paying the interest on the loan. If a participant were to leave the federal program before qualifying for federal forgiveness, then the amount owed could be considerably greater due to the lack of amortization

Annual Income	Portion of Annual Income Expected to be Applied Toward All Eligible IDR Payments
\$100,000 or less	0%
\$100,001 and over	34.5% of amount over \$100,000

In the second option, the LRAP benefits will be calculated using the traditional \$55,000 income threshold (see “Calculating Annual Awards”). LRAP benefits are not capped at the amount of IDR provided the participant makes additional loan payments according to the traditional LRAP schedule. Making payments in excess of IDR reduces the principal amount of the federal loans. At any time, the participant may choose not to make additional payments according to the traditional LRAP schedule; in that case, the participant’s LRAP benefits will be capped at IDR for the remainder of participation in the program. The LRAP benefits will continue to be calculated using the traditional LRAP formula (see “Calculating Annual Awards”), but do not exceed IDR (the amount the participant actually must pay).

For both of the federal options, the forgiveness of LRAP loan benefits from Columbia follows the traditional LRAP forgiveness schedule, while the full discharge of the remaining debt through the federal program occurs after 120 months in both qualifying employment and qualifying loan payments as per the federal program requirements. Employment criteria must meet BOTH the traditional LRAP and the federal program requirements.

Again, it is the responsibility of participants to carefully review the federal Public Service Loan Forgiveness Program to ensure that their participation will meet the federal criteria.

Links to various websites that provide detailed information about the federal Public Service Loan Forgiveness Program is available on Columbia's Financial Aid website ([www.law.columbia.edu/financial-aid](http://www.law.columbia.edu/financial-aid)) under the "LRAP for Public Interest Lawyers" section.

**Interpretation**

The above explanation fully describes Columbia’s Loan Repayment Assistance Program. As questions of application arise, they will be resolved on the basis of the above explanation in light of relevant prior interpretations. A prior interpretation or an administrator’s suggested or proposed application shall not be binding unless it is a final ruling on the request for interpretation or application and is in writing and issued by the Chief Financial and Strategy Officer, or, if appealed, by the Chair of the Public Interest Activities Committee, the Chair of the LRAP Appeals Subcommittee of the Public Interest Activities, or the Dean of the Law School.

February 2019