

**The Dickinson School of Law of
The Pennsylvania State University
Loan Repayment Assistance Program**

Operating Guidelines*

Law students often graduate from Penn State's Dickinson School of Law with an educational debt exceeding \$100,000. The median salary for entry-level public service jobs precludes heavily indebted law graduates from pursuing public service positions. Due to this concern, Penn State's Dickinson School of Law implemented its Loan Repayment Assistance Program (LRAP) in the spring of 2003. The goal of the LRAP is to encourage careers in public interest law by assisting law graduates with their educational loan repayment obligations and, for those who continue in public interest employment, absolving them of repayment obligation. The LRAP is available to graduates of the class of 1997 and members of successive classes. Graduates are entitled to apply for LRAP in their third year or in the two-year period following graduation.

PROGRAM ADMINISTRATION

The Penn State University Dickinson School of Law LRAP is administered through the Financial Aid Office by a seven-person standing committee. The committee is comprised of two faculty members, two students, two law school alumni, and one staff member. The committee may change the dates and program rules when necessary to further the mission of the program by an affirmative vote of five of the seven committee members.

Committee members each serve staggered, two-year terms. The dean may authorize term extensions of committee members. The committee's chair, named by the dean, is responsible for preparing and distributing an agenda to the members. Each academic year, the committee will review and determine the financial eligibility requirements of the program. The committee will review all applications and determine whether the applicant's job or offer of employment meets the requirement of "public interest employment."

The program administrator in the Financial Aid Office is responsible for the day-to-day administration of the program, including responding to routine inquiries, verifying information provided by applicants, distributing funds, determining repayment obligations, etc.

Appointed by the chair, a subcommittee of the standing committee shall hear appeals of decisions. Decisions of this subcommittee shall be final and non-reviewable.

ELIGIBILITY CRITERIA

The applicant must secure an offer of full-time “public interest” employment or be presently employed full-time with a “public interest” organization in a position that substantially utilizes the legal training and skills of the graduate. “Public interest” employment is defined as: work for a not-for-profit organization that qualifies for tax exemption under IRS Code §§ 501(c)(3), (4), or (5); and is work that provides legal assistance to under-served people or interests. Applicants who seek to meet the public interest employment definition by other employment bear the burden of persuading the committee that their work is designed to serve the public interest and that the employment is consistent with the purposes of the program.

The applicant’s adjusted gross income for the year for which assistance is initially sought should not exceed an amount established annually by the committee. The committee annually determines an income guideline amount to provide applicants with an income figure, to be considered when applying for LRAP. However the income figure is to be used as a guideline, not a bar. For 2014, the guideline figure of \$47,000 was selected.¹ In determining adjusted gross income, the committee will view the married applicant as having either the higher income of the couple or half the joint income, whichever is greater. In considering the spouse’s income, the committee will take into account the spouse’s educational debt. In addition to the adjusted gross income, the committee will consider the following factors in determining an applicant’s eligibility:

- cost of living in geographic area of employment;
- benefits provided to the applicant by his/her employer or through spouse’s employer;
- amount of applicant’s debt;
- other factors raised to the committee by the applicant.

In selecting the recipients, the committee will consider the applicant’s demonstrated commitment to pursue a public interest law career and the applicant’s financial need for assistance.

Successful applicants will receive funding for an initial six months, after which they must submit continued eligibility verification forms to the Financial Aid Office twice a year by December 1 and June 1. Failure to submit this information by the deadline dates could result in ineligibility and termination from the program.

In addition, LRAP recipients are required to notify the program administrator within ten days upon any change of employment, income, change of address, or

¹ The figure of \$47,000 is based on a salary amount that is lower than the average salary for full-time legal positions in the private sector for new Penn State University Dickinson School of Law graduates and it is within the range of salaries for full-time legal positions with small private law firms for Penn State University Dickinson School of Law new graduates.

marital status. Any life changes or other factors that increase a recipient's adjusted gross income may result in a reduction in funding or dismissal from the program.

Assuming adequate program funding and no changes in a recipient's continued eligibility status, recipients of loan repayment assistance may continue to receive program funds at the same level.

For an LRAP recipient who initially entered the program beginning in January 2014, the LRAP program will loan no more than \$50,000 to such an applicant over the course of his or her participation in the program. For LRAP recipients who entered the program prior to January 2014, these new income guidelines and limits will serve as guidance to the committee in determining future awards.

APPLICATIONS

Applications for loan repayment assistance will be considered twice each academic year. The applications must be submitted by June 1 or December 1 of each year. Committee decisions will be finalized by July 31 and January 31. Applications are available in the Financial Aid Office or on the Law School's website.

Applications must include: completed application form; resume; personal statement which includes information on applicant's commitment to pursue a public interest law career; list of references; loan information form; employer certification form (proof of an offer of full-time or present full-time employment in a public interest setting that substantially utilizes the legal training and skills of the applicant); signed applicant certification form; and copy of federal income tax return of prior year with all schedules attached and W-2 forms. If the applicant is married, the application must also include the employer's certification form for applicant's spouse and the spouse's educational debt information. The committee, in its discretion, may request additional information.

Late or incomplete applications will not be considered until after consideration of all on-time, complete applications. Due to the financial limitations of the program, late applicants will only be considered on an as-funds-permit basis. Incomplete applications will only be reviewed when all necessary information has been provided.

ASSISTANCE

The goal of the program is to assist the applicant sufficiently to meet his/her total monthly debt payment, which is attributed to his/her law school expenses. The payments will be distributed twice a year, by July 31 and January 31. The Financial Aid Office is responsible for coordinating distribution of the payments with the Penn State Office of Loans and Scholarships. The committee will determine the exact amount that the successful applicant is permitted to borrow. Some individuals may receive only partial loan assistance. However, it is the LRAP policy goal to fully fund as many students as possible.

Beginning with the June 2010 application cycle and thereafter, the amount of LRAP assistance provided to qualifying recipients will be adjusted in light of new federal loan repayment options. LRAP reimbursement payments will be equal to the LRAP recipient's Income Based Repayment (IBR) or Pay As You Earn (if eligible) payment amount, whether or not the recipient elects to repay their loans through the IBR or Pay As You Earn programs. LRAP payments will be a maximum of \$5,000 per year (\$2,500 for each six month cycle). LRAP recipients who began in the program prior to June 2010 are not subject to the new payment calculation method or the \$5,000 annual cap.

The LRAP committee seeks primarily to assist those alumni who wish to pursue a long career in public interest law. With that goal in mind, the committee encourages LRAP recipients to select the Income Based Repayment or Pay as You Earn option on federal student loans, with the ultimate goal of pursuing Public Service Loan Forgiveness after 120 qualifying loan payments while working full time in public service. Additional details about these programs can be found at <http://law.psu.edu/admissions/jd-admissions/financial-aid/student-loans/federal-direct-student-loan-repayment-options> LRAP applicants and recipients should keep in mind that selecting the Income Based Repayment or Pay As You Earn option and then leaving the program prior to achieving loan forgiveness could result in negative amortization,.

The LRAP assistance is a loan until forgiven, as indicated in the schedule below.

If a successful applicant works in qualifying employment for five consecutive years, all of his/her LRAP loans will be forgiven (principal and interest). If a successful applicant works in qualifying employment for less than five years, LRAP loans will be forgiven in accordance with the following schedule:

Loan Repayment Schedule

Amount of Time in Qualifying Employment	Percent of LRAP Loan (to be repaid)	Percent LRAP Loan Forgiven
One year	100%	0%
Two years	75%	25%
Three years or more but less than four	50%	50%
Four years or more but less than five	25%	75%
Five years or more	0%	100%

The time in qualifying employment shall generally be considered to begin at the time of the first LRAP disbursement.

When the recipient leaves qualifying employment before serving five consecutive years in eligible employment, the recipient must contact the program administrator to determine the monthly amount of the repayment obligation. The standard repayment term will be ten years. The repayment amount is determined based on the amount of debt outstanding at the time the loan enters repayment status and the required rate of interest.

The repayment period for balances owed on program loans, including any accrued interest, will begin 90 days following:

- a. the date the recipient fails to meet eligibility criteria; or
- b. the date the recipient failed to provide any information requested by the committee or made any material misrepresentation.

The interest rate charged on program loans in repayment status will be consistent with standard University loan guidelines. Interest will be not charged for the period when the recipient:

- a. was receiving program loans; or
- b. continued employment in qualifying employment.

Continued eligibility of LRAP recipients who receive salary increases in their public interest employment which places them in an income range that is over the program eligibility guideline amount, will be evaluated and determined by the committee under the program eligibility criteria set forth above. However, for an LRAP recipient who initially entered the program beginning in January 2014, the LRAP program will loan no more than \$50,000 to such an applicant over the

course of his or her participation in the program. For LRAP recipients who entered the program prior to January 2014, all new income guidelines and limits referenced in the “Eligibility Criteria” section will serve as guidance to the committee in determining future awards.

LRAP recipients who remain in qualifying public interest employment but who have been determined ineligible for continued assistance by the committee due to salary increases may still qualify to have their LRAP loans forgiven. If the recipients continue in qualifying public interest employment for at least five years, their loans will be forgiven. This forgiveness is not considered to be taxable income according to Internal Revenue Service definition. Recipients can continue to receive additional LRAP payments as long as they continue to work in qualifying employment, do not exceed income requirements, and owe an outstanding balance on their qualifying law school student debt.

LEAVES OF ABSENCE

Program participants may take a leave of absence from the program for up to a maximum of two years. The standing committee will consider leave requests on a case-by-case basis.

RESERVATION OF RIGHTS

Penn State Law reserves the right to modify or terminate LRAP and make changes applicable to all participants. The law school continues to reserve the right to make changes at any time without notice, even if such changes affect current participants. Eligibility and the amount of financial assistance are determined in accordance with the rules and regulations in effect at the time of the LRAP entry, not school entry.

In implementing this program, the law school guarantees neither funding of every eligible applicant in a given year nor the duration of the program. Benefits will be paid only to the extent that funds are available and the program continues to exist.

**Guidelines amended effective June 25, 2014.*