Texas Student Loan Repayment Assistance Program

2006-2007 Program Guidelines

The Texas Access to Justice Commission (TATJC) created a loan repayment assistance program in 2003 to encourage and enable recent law school graduates to work for Texas legal aid organizations and to assist legal aid programs in retaining experienced lawyers. The Texas Student Loan Repayment Assistance Program (SLRAP) is administered by the Texas Bar Foundation (TBF) with funding from the State Bar of Texas and individual donors.

Recipients

Attorneys are eligible for loan repayment assistance through this program if they work full-time for any Texas program that is: a) a recipient of Texas Equal Access to Justice Foundation (TEAJF) funds, b) a recipient of Legal Services Corporation funds, or c) a Texas non-profit that provides civil legal services if at least 50% of the services provided are free to Texans whose income is 175% of federal poverty guidelines or less.

Specific Recipient Criteria:

To be eligible for consideration for the Program, the Applicant must meet the following requirements:

1. Submit the application form and supporting materials as requested by Texas Lawyers Care (TLC).
2. Those individuals who are eligible for loan repayment funds from other sources (i.e. governmental programs, NAPIL fellowships, law school programs, etc.) must apply to those programs for assistance as *payors of first resort*. Repayment provided by other sources will offset the amount of loan repayment provided by this program. TEAJF grantee employers are not considered payors of first resort.
3. Applicants must document full-time employment with an eligible organization. Full-time is defined as 35 hours or more per week.
4. Applicants must be graduates of an ABA-accredited law school within the last ten years. Applicants must have graduated by the time of their first SLRAP loan payment. Applicants must have passed the Texas Bar Exam or been admitted to the Texas Bar through reciprocity by the time of their first SLRAP loan payment.
5. Applicants must be a member of the State Bar of Texas (SBOT) in good standing prior to receiving their first SLRAP loan payment and at all times during the SLRAP payment period.
6. Applicant's salary cannot exceed $45,000 annually, and household income cannot exceed $80,000 per year, with preference given to households with the highest student debt-to-income ratio.

Loan Structure

The recipients receive forgivable loans rather than grants. The SLRAP loan recipients shall apply an amount at least equal to SLRAP loans to repay their existing educational loans.

Administration

The SLRAP loan funds will be administered through the TBF or its designee. The funds will be donor-advised, with direction being provided by the State Bar of Texas and the Texas Access to Justice Commission.

Educational Debt

Undergraduate and law school debt, and debt incurred in joint degree programs, where one degree is a juris doctor, may be covered due to the difficulty in tracking law school-only loans within currently consolidated loans. All institutional loans used for educational expenses may be covered under this program. Loans from family and other private sources are not eligible.

Applicants must submit documentation verifying educational loan debt and repayment schedules to TLC. An applicant who is in default, forbearance, and/or deferment on a loan is eligible to apply for SLRAP assistance, but s/he must remedy the default and/or remove the forbearance and/or deferment prior to receiving any SLRAP payment.

Applicants are required to provide the original principal amount for each federal loan (Stafford, SLS, Perkins, etc.) and, for unsubsidized loans, the principal amount plus the capitalized or accrued interest at the time of graduation. Additionally, applicants are required to provide current balance(s) and current monthly payment(s) to TLC.

Applicant's calculated educational debt will be used in calculating rankings of the candidates. In this calculation, any grace period being extended by a lender will be ignored. Grace periods may, however, affect the actual awards made, in that award amounts will never exceed actual payments made.

Income Calculation

All resources available to applicants, including applicant's income and spouse/domestic partner earnings will be included in the calculation of SLRAP income. To be eligible for SLRAP program benefits, the applicant's annual <u>household</u> income must be $80,000 or less, and annual individual income must be $45,000 or less. Income from employment plus all other sources of income (including spouse's or domestic partner's income, alimony, child support, part-time jobs, rental income, etc.) must be reported to TLC. A prior year's SLRAP award is not included in the calculation of SLRAP income. SLRAP requires an applicant to submit the previous year's income tax information to verify income data. This is accomplished by submitting to TLC a copy of applicant's complete 1040, 1040A or 1040EZ, including all relevant schedules, attachments and amendments. SLRAP formula for determining income for eligibility, however, is not based on the tax code.

SLRAP income, for purposes of determining eligibility is calculated on projected annual income from qualifying employment and other sources *for the year of the SLRAP loan*.

A domestic partner is defined as a significant other with whom the applicant shares a long-term, committed relationship, including a shared residence and shared household expenses.

Rank-order of Need

Applicants will be rank-ordered by TLC, from highest need to lowest need, based on the calculated annual student loan payments divided by income.

Secondary Selection Criteria

The SLRAP decision-making will focus primarily on applicant's calculated annual payments due on educational loans to income ratio. The program also strives to assist legal aid programs in hiring in rural areas, in specialized areas of law, and in maintaining a diverse pool of attorneys. To these ends, the decision makers may take into account when awarding SLRAP loans: geographic diversity, program diversity, the law school attended by the applicant, and gender/racial/ethnic diversity.

Applicants are invited to complete the "other pertinent information" section of the application to stress any extraordinary efforts they have made to reduce their loan debt, explain unusual income information, or otherwise highlight extraordinary circumstances that may help the Texas Bar Foundation when determining how to allocate SLRAP loans.

Selection of SLRAP Recipients

Selection of recipients will be made by the Board of the Texas Bar Foundation according to the above stated criteria. The Texas Access to Justice Commission and the State Bar of Texas reserve the right to modify or identify additional selection criteria. The SLRAP program reserves the right to adjust the amount of loan repayment given in response to the availability of resources in any given year.

Notification of Assistance

Applicants who are selected as SLRAP recipients will be mailed promissory notes with their award notices. The promissory note must be signed and returned. Promissory notes not signed and returned by *announced date* will result in forfeiture of the SLRAP loan award.

Payments

Loan repayment benefits will not begin until receipt by TBF of the signed promissory note. Payment is made as a ***loan*** to recipients for repayment of their educational loan debt payments. Checks will be issued in the name of the recipients. Recipients are responsible for making timely payments to their educational lenders. SLRAP repayment will, in no instances, be more than the amount of loan repayment paid by the recipient in any quarter (i.e. forbearance, grace periods, etc.).

Taxability

The Taxpayer Relief Act of 1997[1] permitted qualified organizations to develop loan repayment programs so that loan forgiveness based on public service employment is not considered taxable income to the recipient in certain circumstances.[2] Under 26 USC 108(f), as amended by the Taxpayer Relief Act of 1997, student loans canceled after August 5, 1997 in exchange for public service employment generally do not cause the borrower to have taxable income, provided certain requirements are met.[3]

Programs providing loan repayment assistance must issue loans via an educational institution, a tax-exempt organization or the government. 26 USC 108(f)(2). Recipients cannot be employed by the organizations administering the loans.

The SLRAP program has attempted to provide maximum potential tax benefits to its recipients. However, each individual recipient remains responsible for any positions taken on his/her own income tax returns. The SLRAP program does not give recipients tax advice. Recipients are encouraged to seek legal advice for their tax questions.

Renewal of Benefits

In subsequent years after 2004, SLRAP recipients may complete an abbreviated renewal application. SLRAP recipients will automatically receive an application for renewal benefits for the next grant cycle. There will be no automatic renewals or preference for past SLRAP recipients. In order to be considered for renewal benefits in a subsequent grant cycle, recipients must submit verification documents for employment, loan debt, and income each year.

Use of Funds

SLRAP recipients must use all funds provided toward the repayment of educational loans. SLRAP recipients will be removed from the program if funds are not forwarded to their lenders in a timely fashion.

Eligibility Changes

Recipients must keep TLC apprised of changes in income, household composition, and employment that may affect SLRAP program eligibility. Failure to report changes that would impact eligibility may result in a recipient being terminated from the SLRAP program. Changes must be reported in writing within thirty (30) days of their initial occurrence.

Throughout the year, TLC will verify applicants' ongoing eligibility. SLRAP loan recipients must provide appropriate signed releases to facilitate eligibility determinations to the SLRAP program to maintain eligibility. This includes providing the SLRAP program with pin numbers and passwords for student loan lenders so that SLRAP staff may access recipient's loan

[1] Pub.L. 105-34 (1997).
[2] 26 U.S.C. 108 (f).
[3] Id.

payment history online, if such information is available in this format, to verify that loans are current.

If a current SLRAP recipient changes employment to another qualifying agency, the recipient's continuing eligibility will be determined by the SLRAP Administrator.

When an SLRAP recipient has a salary or household income increase during an award cycle, the recipient's eligibility will be reviewed by the SLRAP Administrator. If the increase renders the person ineligible (based upon actual income during the grant cycle), the grant will be terminated at the time the change goes into effect. If the person remains eligible, there will be no change in the SLRAP loan amount during that award cycle. If found to be ineligible, the recipient may be required to repay unforgiven SLRAP loan amounts received to that time.

SLRAP recipients will be removed from the SLRAP program if found to be delinquent or in default on any educational loans during any quarter in which they receive SLRAP assistance.

Leave of Absence

In the case of parental or disability leave from a qualifying agency, an SLRAP recipient may apply for a leave of absence loan equaling one quarter of their annual grant from SLRAP. The duration of a leave of absence may be up to three months. At the end of the three months, if the SLRAP loan recipient returns full-time to their employment, the loan maintains its forgivable status. If the recipient does not return to his/her prior employment, s/he will be terminated from the SLRAP program and the money received during the leave of absence period must be repaid on a schedule to be worked out with the SLRAP Administrator. Leaves for other than parental or disability needs will be decided on a case by case basis upon recommendation of the SLRAP Administrator.

Additional Information

Recipients may be asked for additional information as needed.

Substantial Change in Circumstance Review

Disputes concerning any decision made by the SLRAP Administrator concerning a recipient's eligibility or required repayments may be reviewed by TBF Board of Directors upon written request of an applicant or SLRAP recipient.

Payments

The SLRAP loans are made to the recipients at no interest. Recipients must continue in their employment for one year following their first SLRAP disbursement to meet the objectives of the program and have their SLRAP loans forgiven. Recipients who do not continue eligibility will be expected to repay the SLRAP loans they have received that remain to be forgiven. Repayment schedules will be arranged with the SLRAP Administrator.

Application Procedures

Applicants must submit a Texas SLRAP Application. A completed application, including current Employment Certification Form(s), Lender Certification Form(s), Law School Certification Form, Resumé, Completed 2005 tax return, signed copy of these Guidelines, and other signed attachments which may be required by the Texas Bar Foundation must be received by Texas Lawyers Care by ***March 15, 2006***. The Board of the Texas Bar Foundation may not consider incomplete or late applications. Mail applications to Texas Lawyers Care, State Bar of Texas, P.O. Box 12487, Austin, Texas 78711. Questions about the Application or the Program should be directed to Texas Lawyers Care at the above address, by email to ltansey@texasbar.com or by phone at (800) 204-2222, extension 2155, or (512) 463-1463, extension 2155 (in Austin).

I, _____, acknowledge that I have read the foregoing Program Guidelines and agree that any assistance that I receive from the Texas SLRAP is subject to, and governed by, these Guidelines. I understand that these Guidelines may be modified in the future, and that if they are, I will be asked to acknowledge the existence of such modified Program Guidelines and that my receipt of further assistance from Texas SLRAP will be subject to, and governed by, such modified Program Guidelines to the extent they conflict with the foregoing Program Guidelines.

_____ _____

Signature Date

ALL PAYMENTS PURSUANT TO THE TEXAS SLRAP PROGRAM ARE CONTINGENT ON THE AVAILABILITY OF SUFFICIENT FUNDING.