

# Texas Student Loan Repayment Assistance Program

Administered by:



## ***2010-2011 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 Access to Justice Foundation (TAJF) with funding from the State Bar of Texas, TAJF 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 Access to Justice Foundation (TAJF) funds, b) a recipient of Legal Services Corporation funds, or c) a Texas non-profit that provides civil legal services, if at least 50 percent of the services provided are free to Texans whose income is 200 percent 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 the Texas Access to Justice Foundation.
2. Those individuals who are eligible for loan repayment funds from other sources (i.e. governmental programs, Equal Justice Works 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. TAJF grantee employers are not considered payors of first resort.
3. Applicant must document full-time employment with an eligible organization. Full-time is defined as 35 hours or more per week.
4. Applicant must be a graduate of an ABA-accredited law school within the last ten years. Applicant must have graduated by the time of his or her first SLRAP loan payment.
5. Applicant must be:

- a. licensed to practice law in Texas and be a member in good standing of the State Bar of Texas (SBOT) prior to receiving his or her first SLRAP loan payment and at all times during the SLRAP payment period, or
  - b. licensed to practice law in a state or territory of the United States, be in good standing in the jurisdiction where licensed, and be employed as an immigration attorney by a TAJF-funded immigration legal services program in Texas prior to receiving his or her first SLRAP loan payment and at all times during the SLRAP payment period.
    - i. If a recipient qualifies for the SLRAP under 5(b), and during the loan period becomes licensed to practice law in Texas, and subsequently changes employment to a qualifying non-immigration program, the recipient will be presumed to have qualified for the SLRAP under 5(a).
6. Applicant's household income will be considered in relation to the total amount of the applicant's student loan debt incurred.

### **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 TAJF or its designee. The funds contributed by the State Bar of Texas will be donor-advised.

### **Educational Debt**

Applicant's 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 TAJF. 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 TAJF.

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. 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 TAJF. 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 TAJF a copy of applicant's complete 1040, 1040A or 1040EZ, including all relevant schedules, attachments and amendments. The SLRAP formula for determining 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 TAJF, from highest need to lowest need, based on the calculated student debt-to-income ratio, which means the applicant's student loan debt divided by household income.

## **Secondary Selection Criteria**

The SLRAP decision-making will focus primarily on applicant's calculated educational student loan debt-to-income ratio. In most cases, preference will be given to households with the highest student debt-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 TAJF when determining how to allocate SLRAP loans.

## **Selection of SLRAP Recipients**

Selection of recipients will be made by the Board of the Texas Access to Justice Foundation according to the above stated criteria. The SLRAP 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 May 21, 2010 will result in forfeiture of the SLRAP loan award.

## **Payments**

Loan repayment benefits will not begin until receipt by TAJF 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 and mailed to each recipient's work address. 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.). Quarterly payments are contingent upon TAJF receiving documented proof that all student loan payments that are due have been made. Such proof should be provided in the manner and form set out in the promissory note.

Throughout the year, TAJF will verify applicants' ongoing eligibility. SLRAP loan recipients must provide appropriate signed releases to facilitate eligibility determinations to the SLRAP to maintain eligibility, including providing the SLRAP with pin numbers and passwords for student loan lenders so that SLRAP staff may access recipient's loan payment history online, if such information is available in this format, to verify that loans are current.

## **Disclosure and Confidentiality Statement**

Certain information in TAJF's possession must be available for dissemination after a student loan is awarded. This information includes the names of applicants, the amounts, types and general terms of loan requested; description of projects and legal aid programs where applicant will be employed; the amount of student loan debt of and the salary to be paid to the loan recipient, and the names of the financial institutions where loans are held.

Certain records of the TAJF are designated confidential and will not be available for dissemination any group for inspection. This includes the disclosure of records which would constitute an invasion of an individual's privacy, such as personal tax returns or financial statements, assessments of creditworthiness or financial condition, records obtained by the TAJF in connection with loan repayment oversight.

If a loan recipient desires certain information remain confidential, the applicant must clearly identify what information or documents it wishes to remain confidential. The applicant may also be required to explain, in writing, the basis for such a request. Loan Recipients may wish to consult their attorney as to the scope of public disclosure and confidentiality as it relates to the Texas Student Loan Repayment Assistance Program.

## **Taxability**

The Taxpayer Relief Act of 1997<sup>1</sup> permitted qualified organizations to develop loan repayment programs so that loan forgiveness based on public service employment is not

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<sup>1</sup> Pub.L. 105-34 (1997).

considered taxable income to the recipient in certain circumstances.<sup>2</sup> 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.<sup>3</sup>

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 organization administering the loans.

The SLRAP 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 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, income and signed SLRAP Guidelines 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**

Notice must be given 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 household income increase during an award cycle, the recipient's eligibility will be reviewed by the SLRAP Administrator in accordance with the revised debt-to-income ratio calculation. If the increase changes the debt-to-income ratio such that the recipient originally would not have received the loan, the recipient's continuing eligibility will be determined by the SLRAP administrator.

If the recipient remains eligible after consideration of changes in household income and/or employment, 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.

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<sup>2</sup> 26 U.S.C. 108 (f).

<sup>3</sup> Id.

SLRAP recipients will be removed from the SLRAP 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 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 TAJF 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. The payment schedule is based on the fiscal year from June 1 through May 31. Payments are made quarterly beginning in June.

### **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, Résumé, completed 2007 tax return, signed copy of these Guidelines, and other signed attachments that may be required by the Texas Access to Justice Foundation must be received by March 22, 2010. The Board of the Texas Access to Justice Foundation may not consider incomplete or late applications. Mail applications to Texas Access to Justice Foundation, P.O. Box 12886, Austin, Texas 78711-2886. Questions about the Application or the Program should be directed to Texas Access to Justice Foundation at the above address, by email to [ldmelton@teajf.org](mailto:ldmelton@teajf.org), or by phone at (800) 252-3401, extension 112, or (512) 320-0099, ext. 112 (in Austin).

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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 ARE CONTINGENT ON THE AVAILABILITY OF SUFFICIENT FUNDING.***