

# Loan Repayment Guidelines

## Description

In an effort to improve the recruitment and retention of highly qualified attorneys at Louisiana's civil legal aid providers, in July 2006 the Bar Foundation created its Loan Repayment Assistance Program. This program offers financial assistance of up to \$7,500 annually to attorneys carrying law school debt.

## Eligibility

- a. Licensure and Employment. Applicants must be members of the Louisiana State Bar Association in good standing and employed on a full-time basis, a minimum of 35 hours worked per week, in a public interest position in the State of Louisiana, providing direct legal representation in civil legal matters such as pro bono legal services and/or assisting low-income individuals. Examples of qualifying public interest employers include local or state government agencies and nonprofit 501(c)(3) IRS designated organizations.
- b. Income. The individual applicant's qualifying gross annual income may not exceed **\$80,000** to participate in the program. Applicants may adjust their income downward \$5,000 per dependent as defined by the Internal Revenue Service. Eligible married applicants who both claim the same dependents must share the dependents so that one applicant can use them all, they can share them equally or they can divide them as they see fit. Additionally, applicant income should be adjusted upward or downward to reflect child support payments received or paid, provided however that no \$5,000 dependent adjustment downward shall be made for any dependent for whom the applicant takes a deduction for specific amounts of child support paid. Qualifying income is defined as all income of the applicant, including anticipated annual salary, child support, interest and dividends, rental income, etc., all as reflected on page 3 (part D) of the application.
- c. Eligible Loans. Law school loans, federal/government, private/commercial, and bar review only will be considered in determining the amount of assistance. Family, personal, undergraduate and non-educational loans are excluded. If loans have been consolidated or are pending consolidation, you must provide breakdown of each loan type, amount, date, etc. If you only provide information on a consolidated loan, your application will not be considered.
- d. Use of Funds. The LBF loan proceeds must be applied to repayment of the eligible loans. We do not provide assistance during periods of forbearance or deferment.
- e. Ineligibility. Failure to remit required information and/or accurate information may result in ineligibility.

## Assistance

A maximum loan up to \$5,000 per year, for a maximum of 10 years, not to exceed 75% of the annual debt service on the eligible loans, may be awarded to each approved applicant. All assistance shall cease when the applicant's qualifying income exceeds the limit set forth above. LRAP assistance does not automatically roll-over from one year to the next. Applicants must reapply each year to be considered for funding. Continued benefits are subject to availability and allocation of future funding for this program.

## Selection

In making, reviewing and selecting recipients, the Foundation shall be guided by the following: (1) applicant's commitment to addressing the legal needs of the poor; (2) demonstration by the applicant of self-motivated effort to develop professional skill and capabilities for the benefit of the poor; and (3) program confirmation of the applicant's demonstration of a strong work ethic and a record of high quality effective representation of the poor. The LBF reserves the right to make all determinations in its sole discretion.

## Application and Verification Procedures

Applications must be completed with the required documentation and submitted to the Foundation for consideration by February 14, 2025. If given an award, each recipient shall submit further documentation according to the deadlines in the award letter, which include employment and loan repayment verification each quarter during the program year. Any financial or employment status changes shall be reported by the recipient to the Foundation immediately. Failure to notify the Foundation may impact funding decisions for the participating organization in future cycles.

Loan assistance shall be paid quarterly as a prepayment, to begin in the month of July. If the applicant terminates employment or is otherwise ineligible in mid-quarter, the applicant shall be eligible for a pro-rated payment for the qualified period and must reimburse the Foundation for the remainder of the payment. Assistance shall be paid directly to the applicant.

The loans granted by the Foundation will be forgivable to the extent that the recipient is employed by an eligible employer and the recipient's qualifying annual income does not exceed the limit set forth above (see Eligibility). Loans are for a 12 month period beginning July 1 and are forgivable at the end of the period, June 30. The loan shall be evidenced by a promissory note in a form required by the Foundation executed to the participant.

## Federal Income Tax Liability

The Foundation attempted to design this program to provide maximum potential tax benefits to participants under changes in 1997 to Section 108(f) [as amended in 1998] of the Internal Revenue Code. The Foundation reasonably believes it has structured this program so that the loan amounts forgiven by the Foundation should not be considered taxable income to the recipient, and thus should not have to be reported as such. However, there is very little authoritative legal guidance available to determine with certainty the proper tax treatment of this structure. Recipient remains solely responsible for any federal, state or local income tax liability s/he may incur because of the forgiveness of the Foundation loan. The applicant acknowledges that the LBF has made no representation about the taxability of the these payments.