

Seton Hall Law School Public Interest Loan Repayment Assistance Program (PILRAP)

Program Overview

Public service is an important part of Seton Hall Law School's mission. The increasing costs of undergraduate and law school education have caused many law students to graduate with a large burden of educational debt. Legal employment in the public service sector often comes with low salaries, at least in the early years. Law graduates are thus likely to feel financially constrained in choosing to pursue a career in public service law.

To make entry into a public service career easier, Seton Hall Law School created a Public Interest Loan Repayment Assistance Program (PILRAP). PILRAP loans offer graduates interested in public service law the ability to receive a low -interest loan so that the participant may make payments on his or her student loans. Participants who remain in the program longer than one year may have a portion of their loans forgiven. Interest does not accrue until the loan enters repayment. Loans are not repayable as long as the graduate remains in qualifying employment and may be gradually forgiven.

The amount of the PILRAP loan is determined by: the graduate's level of indebtedness, the number of years a graduate spends in qualifying employment, and the adjusted gross income of the graduate and his or her spouse.

Participation in PILRAP is limited to those who have received an offer of employment as an attorney with a qualifying public service organization as defined in this document. It is also limited to those with demonstrated financial need, as evidenced by educational debt and available financial resources. The funding available for PILRAP is not unlimited. In the event funding is not available to fully fund all eligible applicants, a committee appointed by the Dean will allocate the available funding in a manner that maximizes the goals of the program.

Qualified Employment

The applicant must produce evidence of an offer of employment as an attorney with a not-for-profit organization that provides, directly or through public policy efforts, advocacy advancing the interests of those traditionally underserved by the legal system, or an organization (whether governmental or not-for-profit) that provides constitutionally mandated services to criminal defendants. The applicant must agree to accept the offer of employment if he or she receives a PILRAP award.

Maximum Qualifying Income

The maximum qualifying income for the 2006 application period is \$60,000. The applicant's income will be considered to be the greater of the applicant's income or the average of the applicant and the spouse's income. Liquid assets of both the applicant and the spouse in an aggregate amount over \$10,000 will be assumed available for loan payment, thereby reducing the amount of the award.

Eligible Educational Loans

Approved loan funds borrowed for educational expenses under the following programs are eligible: Federal Subsidized and Unsubsidized Stafford Loans, Federal Perkins Loans, Federal Graduate PLUS Loans, and alternative (private) loans borrowed through lenders such as The Access Group, Key Bank, and Sallie Mae. Consumer loans and personal loans through family members are not eligible. Graduates must be current on all educational loans.

Calculation of Awards

The awards vary, and are based on a formula taking into account the amount of all educational debt, income and liquid assets. For the 2006 application year, loan amounts will not exceed \$10,000 per applicant. In brief, the formula for calculating the amount of the award operates as follows.

The applicant's countable income is determined by reducing his or her projected income by \$4,000 for each dependent claimed for federal income tax purposes, and for the amount of unreimbursable medical expenses. If the countable income is less than \$30,000, the award amount would equal the amount of loan repayments for that year, up to \$10,000.

If the countable income is between \$30,000 and \$60,000, the award is reduced by the following amount: $(\text{countable income} - \$30,000) \times .3$, subject to the \$10,000 cap.¹ If the countable income is greater than \$60,000, no award will be made. Applicants with large debt and low financial resources will be eligible for the largest awards; those with lower debt and/or relatively greater financial resources will be eligible for lesser awards.

Application Procedures and Borrower Requirements

Applications are available in the Office of Financial Resource Management, or by downloading the application from our website, www.law.shu.edu. The PILRAP applicant must complete and submit all of the forms attached to this document. These include a form to be completed by the applicant requesting biographical, employment and financial information, a similar form to be completed by the applicant's spouse (if any), and forms to be completed by the employers of the applicant and spouse. Applicants must reapply each year.

¹ Sample calculations using this formula are set out in Appendix A.

All participants are obliged to submit an annual and six-month report to the Office of Financial Resource Management. Failure to comply will result in activation of repayment of all promissory notes. The conditions of this program are subject to change depending on available funding, and no promise of assistance should be inferred from these documents. Additional information may be obtained by contacting the Office of Financial Resource Management at Seton Hall Law.

Repayment of PILRAP loans

While the interest on PILRAP loans does not begin accruing during the time a participant is eligible for an award, the loans must be repaid, and they begin to bear interest at a rate of 5% when the participant is no longer eligible for the program. Participants must sign Repayment Promissory Notes for the loans and interest, and the obligation to repay begins when the participant is no longer eligible for the program.

Leave of Absence and Grace Period

Participants may apply for a leave of absence from the program for medical reasons, compulsory military service, or other compelling reasons. A participant who remains in qualifying employment, but who receives salary increases rendering that participant ineligible for additional Seton Hall loans or grants may qualify for a grace period during which repayment obligations to Seton Hall do not attach. This grace period may be recognized when the applicant is, but for salary increases in qualifying employment, eligible for participation in the program.

To qualify for this grace period, the participant's income must not exceed 150% of the income cap for that year. As long as such a participant remains in otherwise qualifying employment, and, but for the salary increase, remains financially eligible for the program, the participant will not be obliged to begin repayment of loans to Seton Hall, and no interest on Seton Hall PILRAP loans will accrue. In addition, Seton Hall Law School will forgive the ***entire*** loan indebtedness for a graduate who successfully remains in the PILRAP program for 6 consecutive years. The participant remains obligated to complete and submit reporting forms each year to the Office of Financial Resource Management.

Loan Forgiveness

PILRAP loans may be partially or fully forgiven based on the length of the graduate's participation in the program. The program year runs from January 1 to December 31.

At the end of the first year of participation in the program, the loan is not eligible for loan forgiveness, but is not due to be repaid until the participant leaves qualifying employment or otherwise becomes ineligible for the program.

- Otherwise stated, a graduate who receives a PILRAP loan and qualifies for only one year in the PILRAP program would begin to repay this loan at 5% interest at the conclusion of the graduate's participation in the program.

Graduates who participate in the program for two to six years may have a portion of the indebtedness forgiven based on the following sliding scale.

- Completion of 2 years = 20% of year 2 loan forgiven
- Completion of 3 years = 40% of year 3 loan forgiven
- Completion of 4 years = 60% of year 4 loan forgiven
- Completion of 5 years = 80% of year 5 loan forgiven

Example:

Year 1: \$5,000 PILRAP initial award, total balance owed = \$5,000

Year 2: \$5,000 PILRAP award for commencement of year 2,
Total balance owed = \$10,000

Year 3: **\$1,000** eligible for loan forgiveness at the end of year 2 (20% of \$5,000)
\$5,000 PILRAP award for commencement of year 3
Total balance owed = \$14,000

Year 4: **\$2,000** eligible for loan forgiveness at the end of year 3 (40% of \$5,000)
\$5,000 PILRAP award for year commencement of year 4
Total balance owed = \$17,000

Year 5: **\$3,000** eligible for loan forgiveness at the end of year 4 (60% of \$5,000)
\$5,000 PILRAP award for year commencement of year 5,
Total balance owed = \$20,000

Year 6: **\$4,000** eligible for loan forgiveness at the end of year 5 (80% of \$5,000)
\$5,000 PILRAP award for year commencement of year 5,
Total balance owed = \$21,000

Seton Hall Law School will forgive the **entire** loan indebtedness for a graduate who successfully remains in the PILRAP program for 6 consecutive years. The forgiven amount does not need to be repaid to Seton Hall Law School.

- Thus, a student who receives a \$5,000 PILRAP loan per year for 6 years will have received \$30,000 in loans that would be forgiven.

Year 7: **\$21,000** eligible for loan forgiveness at the end of year 6 (80% of total indebtedness)
Total balance owed = \$0

Appendix A Sample Awards

The examples below illustrate the award amounts for successful applicants with various levels of debt and income. For these examples, it is assumed that the applicant does not have liquid assets exceeding \$10,000, that the program is subject to a \$10,000 per applicant cap on awards for the year, and it is further assumed that funds are available to make awards to all qualifying applicants. "ALRB" refers to the applicant's annual loan repayment burden.

Example A: Salary = \$24,000, differing debt burdens

ALRB = \$10,000 Award = \$10,000 (no reduction)
ALRB = \$5,000 Award = \$5,000 (no reduction).

Example B: Salary = \$35,000, differing debt burdens

ALRB = \$10,000 Award = \$8,500 [$\$10,000 - ((\$35,000 - \$30,000) \times (.3))$]
ALRB = \$5,000 Award = \$3,500 [$\$5,000 - ((\$35,000 - \$30,000) \times (.3))$]

Example C: Salary = \$40,000, differing debt burdens

ALRB = \$10,000 Award = \$7,000 [$\$10,000 - ((\$40,000 - \$30,000) \times (.3))$]
ALRB = \$5,000 Award = \$2,000 [$\$5,000 - ((\$40,000 - \$30,000) \times (.3))$]

Example D: Salary = \$55,000, differing debt burdens

ALRB = \$10,000 Award = \$2,500 [$\$10,000 - ((\$55,000 - \$30,000) \times (.3))$]
ALRB = \$5,000 Award = \$2,000 [$\$5,000 - ((\$55,000 - \$30,000) \times (.3))$]

Note: \$2,000 is the minimum award if available funding permits