

## Virginia Loan Forgiveness Program (VLFP III)

### OVERVIEW

In 2001, the University of Virginia School of Law established the original Virginia Loan Forgiveness Program (VLFP I) to assist graduates entering low-paying public service legal employment with their law school educational loan obligations. In 2013, the Law School revised the terms of the Virginia Loan Forgiveness Program (VLFP II) to increase the assistance provided to graduates pursuing public service careers. VLFP is funded primarily by generous donations from Law School alumni and friends.

The Law School remains committed to the goal of making a career in public service a viable option for all its graduates — even those with substantial educational loan obligations. Beginning with the J.D. class of 2023, the Law School has revised the terms of the Virginia Loan Forgiveness Program (VLFP III) to increase the assistance provided to graduates pursuing public service careers and to expand the types of covered employment.

Under the terms of VLFP III, qualifying participants who earn less than \$100,000 annually and who are engaged in qualifying employment are eligible to receive financial assistance for repayment of law school loans. The revised benefit formula is tied to the federal repayment plans that are based on income, which consider annual income, educational debt and family size to determine a graduate's monthly loan repayment obligation. These plans include SAVE (formerly REPAYE), PAYE, and IBR. **VLFP III participants who earn less than \$80,000 annually receive benefits equal to 100 percent of their loan repayment obligations under SAVE, PAYE, or IBR for their law school loans.** In short, these participants pay nothing out of pocket toward loan repayment while in VLFP III. The benefits for participants who earn more than \$80,000 annually are prorated based on income.

### ELIGIBILITY

VLFP III is available to members of the J.D. classes of 2023 and later who:

1. Enter qualifying employment, as defined by this document, within two years of graduation or within two years of completing a judicial clerkship that is taken immediately after graduation and is itself no longer than two years in duration;
2. Apply for VLFP III benefits within the first enrollment period following the start of qualifying employment;
3. Earn \$100,000 or less in annual income;
4. Have placed their law school loans in a SAVE, PAYE, or IBR repayment plan; and
5. Have maintained their law school loans in good standing.

Participants may remain in VLFP III for up to 10 years from the start of their participation in the program. Participants who exit VLFP III without an approved deferral may not re-enter. At the discretion of the program director, participants may defer participation in VLFP III for childbirth, disability, or other extenuating circumstances.

Current VLFP II participants (as well as graduates who are not enrolled in VLFP II but who still qualify to enroll in VLFP II) will be switched over to VLFP III. Applications for VLFP III are due by December 1. The final determination regarding participation is made by the program director and is based on a variety of factors including the availability of resources.

### **QUALIFYING EMPLOYMENT**

All graduates of the Law School who work in positions that are paid and necessitate the use of legal skills are eligible to receive VLFP III benefits except for graduates in one- or two-year judicial clerkships, who are not eligible for VLFP III benefits during their clerkships. However, graduates who take a one- or two-year judicial clerkship immediately after graduation become eligible for VLFP III if they enter qualifying employment and meet the other entry criteria within two years of the end of the clerkship. Graduates on deferral from a private law firm are not eligible for VLFP III benefits during the deferral. The final determination of qualifying employment is made by the program director.

There are two tracks within VLFP III for eligible graduates. Track A covers graduates who work for a governmental unit (local, state, tribal, or federal) or a 501(c)(3) organization. Track B covers all graduates not included in Track A who otherwise meet VLFP III criteria. Although the Law School encourages participants to consult a financial advisor about the taxability of the forgiveness of VLFP III benefits, we expect benefits paid to graduates in Track A not to be taxable, whereas we expect benefits paid to graduates in Track B to be taxable. For more details, see Forgiveness of Benefits below.

### **ELIGIBLE LOANS**

VLFP III assists with the repayment of UVA Law School loans that are being repaid under SAVE, PAYE, or IBR. Graduates must enroll in SAVE, PAYE, or IBR to receive VLFP III benefits. More information on SAVE, PAYE, and IBR is available at <https://studentaid.gov/>. Note that SAVE, PAYE, and IBR are available for certain kinds of federal student loans (e.g., Direct Unsubsidized [Stafford] Loans and Direct Graduate PLUS Loans) but not others (e.g., private loans, Parent PLUS Loans, consolidation loans that contain a Parent PLUS Loan and loans that are in default).

### **CALCULATION AND PAYMENT OF BENEFITS**

Each year by December 1, new and continuing participants **must** file an application for VLFP III benefits for the upcoming calendar year. Participants are required to sign a promissory note before VLFP III benefits are disbursed. If a continuing participant no longer qualifies for benefits, he or she must still file a VLFP III application to secure forgiveness of the current program year's benefits.

The calculation of the VLFP III benefit is based on the participant's actual annual law school loan payments under SAVE, PAYE, or IBR, and his or her program adjusted income (PAI) for the program year. PAI is determined from the total projected annual income reported on the VLFP III application for the program year. Participants are asked to include with their application a copy of their most recent federal income tax return, their most recent W-2 and any 1099s for the year, a recent paystub and a letter from their employer detailing their employment and their salary for the program year. Both taxable and non-

taxable income may be included in the PAI calculation, depending on the source. As an example, non-taxable foreign income is included in PAI.

The PAI of married participants is adjusted to include the spouse's income only if the spouse has a higher PAI than the program participant. For married participants, PAI is defined as the higher of (1) the participant's PAI or (2) one-half of the combined PAIs of the participant and the spouse. A spouse's PAI is also determined by the annual income reported on the VLFP III application. Taxable and non-taxable income may be included in the calculation depending on the source. Spouse PAI also excludes an amount equal to the spouse's annual loan payments for graduate school loan debt reported on the VLFP III application.

Participants with a PAI of less than \$80,000 who meet the other eligibility criteria receive benefits equal to 100 percent of their annual SAVE, PAYE, or IBR payment for their law school educational loans. Participants with a PAI between \$80,000 and \$100,000 receive benefits that decrease proportionally with income. Participants with a PAI greater than \$100,000 do not qualify for benefits but remain eligible for forgiveness of the previous year's VLFP II or VLFP III benefits.

Part-time employment is eligible for benefits on a prorated basis (e.g., if a participant works half-time, then he or she is eligible for 50 percent of VLFP III benefits).

#### **FORGIVENESS OF BENEFITS**

VLFP III provides program participants with funds in the form of a forgivable loan from the Law School Foundation. Participants use these funds to meet their loan repayment obligations under SAVE, PAYE, or IBR. Funds are distributed to participants at the beginning of each calendar year and are completely forgiven by the Law School Foundation at the end of that year provided the graduate remains eligible for participation in VLFP III for the entire year. Note that complete forgiveness is provided on a calendar year basis — a longer-term commitment to VLFP III (i.e., beyond the calendar year) is not required.

By December 1 each year, participants must file a VLFP III application to secure forgiveness of the current calendar year's benefits (as well as to apply for VLFP III benefits for the upcoming calendar year). The Internal Revenue Code (IRC) details the requirements for tax-free loan forgiveness by the Law School Foundation (see, for example, *IRS Publication 525* and *IRS Publication 4681*.) The Law School encourages participants to consult a financial advisor about the taxability of the forgiveness of VLFP III benefits.

#### **REPAYMENT OF BENEFITS**

Participation in VLFP III constitutes assumption of the legal obligation to repay all benefits provided through VLFP III that are not subsequently forgiven. Participants must repay VLFP III benefits if, during the year, they leave qualifying employment, place their loans in forbearance or become delinquent in payment. The repayment amount will be prorated based on the date of the disqualifying event.

## **OTHER LOAN REPAYMENT ASSISTANCE PROGRAMS**

VLFP III participants might also be eligible to receive financial support from other loan repayment assistance programs (LRAPs). Although participation in these other LRAPs is optional, they could provide meaningful assistance to some VLFP III participants. For example, VLFP III participants who plan on public service careers of 10 years or longer should familiarize themselves with the terms of the federal Public Service Loan Forgiveness Program (PSLF), which offers total loan forgiveness to qualifying participants following 120 qualifying monthly loan payments. To qualify for PSLF, graduates must convert student loans issued prior to June 30, 2010 under the Federal Family Education Loan Program (FFELP) to federal direct lending. Although this is not required for participation in VLFP III, graduates may wish to do so in order to take advantage of the benefits of PSLF. Because not all SAVE, PAYE, or IBR-eligible loans qualify for PSLF and because PSLF's definition of qualifying employment will differ from VLFP III's, graduates are advised to review the PSLF requirements very carefully. The Law School also encourages participants who are not already in federal direct lending to seek financial advice about the costs and benefits of conversion. More details on PSLF, federal direct lending and the requirements for total loan forgiveness are available at <https://studentaid.gov/>.

As another example, many states have created their own LRAPs for public service lawyers (more information is available at <https://www.americanbar.org/>), so VLFP III participants are encouraged to explore all their options for loan repayment assistance.

## **PROGRAM ADMINISTRATION**

VLFP III is administered by a program director, appointed by the dean of the Law School, who consults and coordinates with the Law School Foundation. The program director, subject to approval by the dean, is empowered to:

- determine participant eligibility and the amount and duration of benefits under VLFP III;
- rule on requests for leave or deferral from VLFP III;
- review VLFP III annually and, if appropriate, recommend program and eligibility changes to the dean based on the program's goals and available resources;
- make transition rule determinations; and
- refer written appeals to a committee for review.

The Law School reserves the right to change the terms of VLFP III at any time in response to changes in federal law, the availability of resources, or the program's goals. This Program Description summarizes the major elements of VLFP III for informational purposes. Participants must also read and comply with additional program documents and requirements as issued by the VLFP III program director.

Questions about VLFP III should be directed to the Financial Aid Office at 434-924-7805 or [vlfp@law.virginia.edu](mailto:vlfp@law.virginia.edu).