



Virginia Loan Forgiveness Program (VLFP II)

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. VLFP I 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 of its graduates — even those with substantial educational loan obligations. Beginning with the J.D. class of 2013, the Law School has revised the terms of the Virginia Loan Forgiveness Program (VLFP II) to increase the assistance provided to graduates pursuing public service careers.

Under the terms of VLFP II, qualifying participants who earn less than \$75,000 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 two of the federal repayment plans that are based on income, Income Based Repayment Plan (IBR) and Pay As You Earn (PAYE) which take into account annual income, educational debt and family size to determine a graduate's monthly loan repayment obligation. **VLFP II participants who earn less than \$55,000 annually receive benefits equal to 100 percent of their loan repayment obligations under IBR or PAYE for their law school loans.** In short, these participants pay nothing out of pocket toward loan repayment while in VLFP II. The benefits for participants who earn more than \$55,000 annually are prorated based on income.

ELIGIBILITY

VLFP II is available to members of the J.D. classes of 2013 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 II benefits within the first enrollment period following the start of qualifying employment;
3. Earn \$75,000 or less in annual income;
4. Have placed their law school loans in IBR or PAYE; and
5. Have maintained their law schools loans in good standing.

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

Current VLFP I participants (as well as graduates who are not enrolled in VLFP I but who still qualify to enroll in VLFP I) who are thinking about enrolling in IBR or PAYE may ask the program director if it would

be possible to switch to VLFP II. Applications to switch to VLFP II are due in November/December. 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

Qualifying employment is public service employment defined broadly to include positions with federal, state, local, and foreign governments; legal aid offices; prosecutor offices; public defender offices; public interest organizations; and legal reform groups that qualify as nonprofit organizations under the criteria used by the Internal Revenue Code. Court staff attorney positions and career judicial clerkships (clerkships lasting more than two years) are also included in the definition. The position must be paid and necessitate the use of legal skills. Graduates in this type of employment may practice anywhere in the country (or around the world).

Graduates who work in private practice in the Commonwealth of Virginia may be eligible to receive benefits under the Law School's "Commonwealth Plan," but not under VLFP II. Graduates in one- or two-year judicial clerkships are not eligible for VLFP II benefits during their clerkships. However, graduates who take a one- or two-year judicial clerkship immediately after graduation become eligible for VLFP II 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 II benefits during the deferral. The final determination of qualifying employment is made by the program director.

ELIGIBLE LOANS

VLFP II assists with the repayment of UVA Law School loans that are being repaid under IBR or PAYE. Graduates must enroll in IBR or PAYE in order to receive VLFP II benefits. More information on IBR and PAYE is available at <http://studentaid.ed.gov> and www.finaid.org. Note that IBR and PAYE are available for certain kinds of federal student loans (e.g., Unsubsidized Direct [Stafford] Loans and 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 November/December, new and continuing participants **must** file an application for VLFP II benefits for the upcoming calendar year. Participants are required to sign a promissory note before VLFP II benefits are disbursed. If a continuing participant no longer qualifies for benefits, he or she must still file a VLFP II application in order to secure forgiveness of the current program year's benefits.

The calculation of the VLFP II benefit is based on the participant's actual annual law school loan payments under IBR or PAYE 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 II 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 II 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 II application.

Participants with a PAI of less than \$55,000 who meet the other eligibility criteria receive benefits equal to 100 percent of their annual IBR or PAYE payment for their law school educational loans. Participants with a PAI between \$55,000 and \$75,000 receive benefits that decrease proportionally with income. Participants with a PAI greater than \$75,000 do not qualify for benefits but remain eligible for forgiveness of the previous year's VLFP II 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 II benefits).

FORGIVENESS OF BENEFITS

VLFP II 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 IBR or PAYE. 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 II for the entire year. Note that complete forgiveness is provided on a calendar by calendar year basis — a longer-term commitment to VLFP II (i.e., beyond the calendar year) is not required.

Each November/December, participants must file a VLFP II application in order to secure forgiveness of the current calendar year's benefits (as well as to apply for VLFP II benefits for the upcoming calendar year). The Internal Revenue Code (IRC) details the requirements for tax-free loan forgiveness by the Law School Foundation. The Law School encourages participants to consult a financial advisor about the taxability of the forgiveness of VLFP II benefits.

REPAYMENT OF BENEFITS

Participation in VLFP II constitutes assumption of the legal obligation to repay all benefits provided through VLFP II that are not subsequently forgiven. Participants must repay VLFP II 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 II 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 II participants. For example, VLFP II 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 10 consecutive or nonconsecutive years of public service employment. In order to qualify for PSLF, graduates must convert student loans issued under the Federal Family Education Loan Program (FFELP) to federal direct lending. Although this is not required for participation in VLFP II, graduates may wish to do so in order to take advantage of the benefits of PSLF. Because not all IBR or PAYE-eligible loans qualify for PSLF and because PSLF's definition of qualifying employment may differ from VLFP II'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 <http://studentaid.ed.gov> and www.finaid.org.

As another example, many states have created their own LRAPs for public service lawyers (more information is available at www.abanet.org), so VLFP II participants are encouraged to explore all of their options for loan repayment assistance.

PROGRAM ADMINISTRATION

VLFP II 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 II;
- rule on requests for leave or deferral from VLFP II;
- review VLFP II 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 II 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 II for informational purposes. Participants must also read and comply with additional program documents and requirements as issued by the VLFP II program director.

Questions about VLFP II should be directed to the Financial Aid Office at 434-924-7805 or lawfinaid@virginia.edu.