



## Virginia Loan Forgiveness Program (VLFP I)

### OVERVIEW

In 2001, the University of Virginia School of Law established the Virginia Loan Forgiveness Program (VLFP) to assist graduates entering low-paying public service employment with their law school educational loan obligations. VLFP is funded primarily by generous donations from graduates of the Law School. The Law School remains committed to the goal of making a career in the public sector a viable option for all of its graduates — even those with substantial educational loan debts.

The Virginia Loan Forgiveness Program has three key features:

- immediate loan forgiveness — your debt is forgiven every year you work in qualifying public service
- no income cap — you are eligible for public service loan forgiveness regardless of how much you earn
- no asset or other income test — your personal assets are excluded from consideration in determining your benefits under the plan

These promises support the Law School's commitment to making public service a viable career option for graduates who work in the public interest anywhere in the world. Graduates who enter public service employment and apply for benefits within two years of graduation or within two years of completing a judicial clerkship are eligible.

VLFP provides program participants with funds in the form of a forgivable loan from the Law School Foundation. The amount of assistance varies based on participants' income and total law school debt. Participants use these funds to cover their monthly/annual law school loan payments according to the repayment schedules established with their lenders. Program funds will be distributed at the beginning of each calendar year and will be completely forgiven at the end of each year, provided that the graduate remains eligible for participation in the program for 12 months. Because most educational loans offer a six-month grace period following graduation, law school educational loan repayment may begin prior to becoming eligible for VLFP benefits; therefore, participants must be prepared to make any payments due before January of your first year of VLFP eligibility.

## **ELIGIBILITY**

The Virginia Loan Forgiveness Program is available to members of the Class of 2002 and subsequent classes through the Class of 2012 who enter public service employment and apply for benefits within two years following their graduation (i.e., December 1, 2014 for 2012 graduates) or within two years of completing a judicial clerkship which is taken immediately after graduation and is no longer than two years. Any graduate who is delinquent on loan payments or who currently has loans in forbearance may not receive VLFP funds. It is expected that VLFP funds will be used to make loan payments; if after receiving a loan a participant places his or her loans in forbearance, all VLFP monies must be returned. Graduates may remain in VLFP up to 10 years from the start of participation in the program.

VLFP participants are no longer eligible for benefits if they (1) leave public service law practice, or (2) their expected contribution toward their loan payments exceeds their actual loan payment amounts. A participant will remain eligible for loan forgiveness and will not be required to repay VLFP loans as long as he or she remains in qualifying public service law practice for the remainder of the year. If a graduate becomes ineligible at some point during the 12 months, the graduate must return a prorated portion of the funds he or she received at the beginning of the year.

Participants shall be allowed to defer or suspend participation in VLFP for childbirth, disability, or other approved extenuating circumstance. Part-time employment is eligible for benefits on a prorated basis (i.e., if you work 50% time, you are eligible for a 50% benefit from the VLFP).

## **QUALIFYING EMPLOYMENT**

Public service law practice is defined broadly to include jobs with federal, state or local governments, legal aid offices, prosecutors, public defenders, public interest organizations, and legal reform groups that qualify as nonprofit organizations under the definitions used by the Internal Revenue Code. Participants in this type of employment may practice in any locality.

The position must necessitate the use of legal skills.

Those in judicial clerkships are not eligible for participation, but they may become eligible if they entered the clerkship immediately following graduation, the clerkship is no longer than two years in length, and they enter public service employment and apply for benefits within two years of the end of the clerkship. The final determination of qualifying public service employment will be made by the Program Director.

## **CALCULATION OF BENEFITS**

Eligibility for benefits and the amount of loans provided to participants in a given year is determined by calculating the difference between participants' actual annual law school loan payments and what VLFP presumes they can afford to pay based on their current program adjusted income (PAI). PAI is determined from the total annual income reported on the VLFP application. Both taxable and non-taxable income may be included in the calculation depending on the source. Non-taxable foreign income or the military subsistence allowance are included as income while a portion of any health

insurance premium or retirement benefit paid by a participant, when those benefits are not provided by the employer, may be excluded when calculating a participant's 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 application. Taxable and non-taxable income may be included in the calculation depending on the source. Spouse PAI also excludes an amount equal to their annual loan payments for graduate school loan debt reported on the VLFP application.

Graduates with a PAI of less than \$35,000 per year are presumed unable to pay their Law School education loans. They receive 100 percent assistance for the year. Those with a PAI of \$35,000 or more are presumed able to pay one-half of their income above \$35,000. For example, if a graduate has an annual loan payment of \$10,000 and a PAI of \$40,000, the program would require the graduate to contribute \$2,500 each year (half of what the graduate earns over \$35,000) and the Program would provide \$7,500 each year.

### **ELIGIBLE LOANS**

VLFP will assist with the repayment of any loan certified by the UVA Law School Financial Aid Office for law school study. This includes Stafford Loans (subsidized and unsubsidized), Perkins Loans, Graduate PLUS loans, Law School Foundation Loans, private educational loans and bar study loans. Consolidation Loans are also included. VLFP, however, will only cover the law school portion of any Consolidation Loan that includes both undergraduate school debt and law school debt. While there is no overall cap on the amount of debt covered by VLFP, the program will only cover loans for three years of law school. Debt eligible for benefits under VLFP also cannot exceed the total law school budget for financial aid purposes less any scholarship aid, as determined by the Law School's Financial Aid Office.

VLFP participants may structure their law school loan debt on the standard 10-year repayment plan with two exceptions. Law School Foundation Loans may not be adjusted and must remain on their original five-year repayment plan. Federal Perkins Loans that are not consolidated may also remain on their standard five-year repayment plans. Participants who amortize their loans to greater than 10 years will receive a lesser benefit and may find themselves ineligible for benefits much sooner than those selecting the 10-year repayment option.

### **REPAYMENT OF VLFP BENEFITS**

Loans made under VLFP and not otherwise forgiven become due when VLFP participants leave qualifying public service employment before the end of 12 months from the start of employment. If a graduate becomes ineligible at any point during the year, the graduate will have to return a prorated portion of the funds he or she received at the beginning of the year. No interest accrues on loans made under VLFP until they become due, at which time they are repayable over a period of 10 years at a fixed rate based on the prime rate on the date of repayment.

Participation in VLFP constitutes assumption of the legal obligation to repay all loans provided through VLFP that are not subsequently forgiven. Participants will be required to sign a promissory note to that effect prior to disbursement of VLFP funds. By accepting VLFP funds, participants also assume a moral obligation to financially support VLFP when possible so that other eligible law students and graduates can benefit from the opportunity to work in the public service sector.

#### **PROGRAM ADMINISTRATION**

The Virginia Loan Forgiveness Program is administered by a program director, appointed by the dean, who will consult and coordinate with the Law School Foundation. The program director — subject to approval by the dean — is empowered to:

- rule on requests for leave from VLFP, which shall be allowed on account of childbirth or disability;
- waive certain VLFP requirements such as the full-time work provision, or the interest or repayment period for repaying VLFP loans, in cases of proven hardship;
- review VLFP annually and, if appropriate, recommend changes for the dean in eligibility requirements and other VLFP features consistent with VLFP funding; and
- make transition rule determinations.

Virginia Loan Forgiveness Program application information is available at the University of Virginia School of Law Web site at <http://www.law.virginia.edu/loanforgive>.

If you have questions or would like to request an application, please contact:

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