

CURRENT DEVELOPMENTS

STUDENT LOAN FORGIVENESS AND REPAYMENT ASSISTANCE

By: Louis S. Rulli

Practice Professor of Law, University of Pennsylvania Law School

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Current Development	Goal	Benefits	Qualifying Criteria	Qualifying Employment	Comments
College Cost Reduction and Access Act of 2007 (P.L. 110-84). Signed by President Bush on September 27, 2007. Draft regulations issued; final regulations expected in November 2008.	Lower payments on federal student loans and provide for loan forgiveness in exchange for public service employment	Sec. 203: Income Based Repayment (IBR). Annual payments capped at 15% of amount by which Adjusted Gross Income exceeds 150% of poverty. Sec. 401: Loan Forgiveness for Public Service Employment after 10 years (120 payments) while working in qualifying employment after October 1, 2007	IBR: Becomes available on July 1, 2009. Until then, borrowers may continue to take advantage of ICR plan. Loan Forgiveness: Only Federal Direct Loans are eligible for loan forgiveness for public service employment. Borrowers who have loans under the Federal Family Education Loan program (issued by private banks and lending institutions) must consolidate their	To qualify for loan forgiveness for public service employment: borrower must work full time in qualifying public service employment after October 1, 2007 while making qualifying monthly loan payments for 10 years. Need not be continuous, but no partial forgiveness. Borrower must work in qualifying employment: 501(c)(3) non-profit organization, or government, or Americorps, or public service organization. Civil legal assistance qualifies.	Part-time attorneys ineligible for federal loan forgiveness. No partial credit, must make 120 qualifying payments. Commercial loans ineligible. Taxability of forgiveness uncertain.

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			loans into Federal Direct Consolidation loans in order to qualify for loan forgiveness. Commercial loans are not eligible.	Full-time definition is subject of regulations: currently proposed as at least 30 hours per week on average, or as defined as full time by the organization, whichever is greater.	
<p>The John R. Justice Prosecutors and Defenders Incentive Act. Sec. 951 of The Higher Education Reauthorization and College Opportunity Act of 2008 (P.L. 110-315) (H.R. 4137). Signed by President Bush on August 14, 2008.</p>	<p>Provide loan forgiveness for state and local prosecutors and public defenders; encourage qualified individuals to enter and continue employment as prosecutors and public defenders.</p>	<p>Provide maximum of \$10,000 per year in exchange for renewable three-year commitment for service as state and local prosecutor and public defender. Maximum \$60,000 per borrower.</p>	<p>Eligible loans outlined in Act. Include Federal Direct Loan Program and consolidated loans.</p>	<p>Prosecutors: Full time employee of state or local agency who is continually licensed to practice law and prosecutes criminal or juvenile delinquency cases at state or local level, including employees who supervise, educate, or train other persons prosecuting such cases. Defenders: similar definition, but also includes full-time employee of nonprofit organization operating under contract with state or local government devoting substantially all of such full-time employment to representing indigent</p>	<p>Must sign agreement to remain as prosecutor or public defender for not less than three years. If borrower leaves before then, or if involuntary separated due to misconduct, borrower must repay amounts received. Sum of \$25 million authorized for program annually for FY 2008-2013. Priority given to borrowers with least ability to repay their student loans, or who received repayment benefits under this Act during preceding fiscal year and completed less than 3 years of the</p>

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				persons. Includes full time Federal defender attorneys .	first required period of service specified for borrower pursuant to agreement.
<p>Loan Repayment for Civil Legal Assistance Attorneys. Sec. 430 of The Higher Education Reauthorization and College Opportunity Act of 2008 (P.L. 110-315) (H.R. 4137). Signed by President Bush on August 14, 2008.</p>	<p>Provide loan forgiveness for civil legal assistance attorneys; encourage qualified individuals to enter and continue employment as civil legal assistance attorneys.</p>	<p>Provide maximum of \$6,000 per year in exchange for renewable three-year commitment for service as a civil legal assistance attorney. Maximum \$40,000 per borrower.</p>	<p>Eligible loans outlined in Act. Include Federal Direct Loan Program and consolidated loans.</p>	<p>Civil Legal Assistance Attorney: Full time employee of a nonprofit organization that provides legal assistance with respect to civil matters to low-income individuals without fee, provides civil legal assistance and is continually licensed to practice law.</p>	<p>Must sign agreement to remain as civil legal assistance attorney for not less than three years. If borrower leaves before then, or if involuntary separated due to misconduct, borrower must repay amounts received. Sum of \$10 million authorized for FY 2009 and such sums as may be necessary for each of the four succeeding fiscal years. Priority given to a borrower who has practiced law for 5 years or less and,, for at least 90% of such time has served as a civil legal assistance attorney, received repayment benefits</p>

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					under this Act during the preceding fiscal year, and has completed less than 3 years of the first required period of service specified for borrower pursuant to agreement.
<p>Loan Forgiveness for Service in Areas of National Need. Sec. 429 of The Higher Education Reauthorization and College Opportunity Act of 2008 (P.L. 110-315) (H.R. 4137). Signed by President Bush on August 14, 2008.</p>	<p>Forgive student loan obligation of borrowers who are not in default and who are employed full-time in areas of national need. Public Interest Legal Services is included within area of national need.</p>	<p>Secretary to forgive not more than \$2,000 of student loan obligation of borrower outstanding at end of calendar year of qualifying employment. Benefit not to exceed 5 years. In aggregate, not to exceed \$10,000 for any borrower.</p>	<p>Public Sector Employees: Individual employed in public safety, emergency management, public health, or public interest legal services (including prosecution or public defense or legal advocacy in low-income communities at a nonprofit organization). Low-income community means a school attendance area in which 70% of households earn less than 85% of State median household income, or that</p>	<p>Areas of National Need: Early childhood educators, nurses, foreign language specialists, librarians, highly qualified teachers serving underserved communities, child welfare workers, speech language pathologists/audiologists, national service, school counselors, public sector employees, nutrition professionals, medical specialists, mental health professionals, dentists, stem employees, physical therapists, superintendents, principals, and other</p>	<p>Priority given on a first-come, first served basis, and subject to availability of appropriations.</p>

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			includes a high-need school.	administrators.	
<p>Perkins Loan Cancellation for Public Service. Sec. 465 of The Higher Education Reauthorization and College Opportunity Act of 2008 (P.L. 110-315) (H.R. 4137). Signed by President Bush on August 14, 2008.</p>	<p>Partial loan cancellation of Perkins Loans for Public Service, intended as low-interest loans for needy students.</p>		<p>Appears to include only a more narrow definition of public service categories: teachers, firefighters, librarians, speech language therapists, etc. (More research needed here to see all categories).</p>		
Other Developments					
<p>Law School Developments in 2008</p>	<p>Harvard Law School: Beginning with entering class in 2008 (Class of 2011), waive third-year tuition for students who participate in public service activities while at Harvard Law and agree to work for five years in public service after graduation. Students must hold at least one 10-week</p>	<p>Yale Law School: Announced in 2008, Yale will double its postgraduate public interest fellowships from a total of 14 to 28. Goal is to launch twice as many public interest careers among each graduating class of Yale Law School.</p>	<p>Duquesne Law School: Donation of \$1.4 million will provide endowment fund to allow \$70,000 annually for annual debt relief to Duquesne law school graduates who pursue careers in nonprofit public interest law or government.</p>	<p>Philadelphia-area Law Schools to report on current developments at future meeting of DLSC.</p>	

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	<p>summer public service job, earn credits from other programs such as clinical programs, and participate in public service community events. This will result in savings of over \$40,000 in tuition (program expected to cost Harvard \$3 million per year). Program will run for five-year test period.</p>				
<p>Tax Developments in 2008</p>	<p>Internal Revenue Ruling 2008-34 (June 20, 2008)</p>	<p>Law School loan forgiveness program that forgives debt for qualifying post-graduate public service employment in accordance with provisions of structured program qualifies as exception to general rule that discharge of indebtedness is gross income taxable to the borrower.</p>	<p>LRAP loan by law school designed to encourage graduates to enter public service in occupations or areas with unmet needs is a "student loan" under IRC Sec. 108(f)(2) and qualifies under exception in IRC Sec. 108(f)(1) that gross income does not include discharge of student loan if such discharge was pursuant to provision of such loan under which indebtedness</p>		

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			<p>would be discharged if the borrower worked for a certain period of time in qualifying employment.</p>		

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