

**\* Maine Bar Foundation  
Law School Loan Repayment Assistance Program**

**Program Description**

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The Maine Bar Foundation (the “Bar Foundation”) is a non-profit organization that supports programs that promote equal justice and the provision of legal aid to the poor in Maine. The Bar Foundation has recognized that, in recent years, increasing law school loan burdens have deterred promising law school graduates from accepting staff attorney positions at the legal aid programs that assist the poor and elderly in Maine. These debt burdens have also caused the departure of experienced and talented staff attorneys at these programs who had hoped to remain at these organizations and whose skill and dedication greatly benefited their clients and the agencies they served.

Accordingly, the Bar Foundation has currently allocated \$23,600.00 in IOLTA funds for a law school loan assistance program for staff attorneys at non-profit organizations in Maine which provide legal aid to the poor and/or disadvantaged (the providers), which may elect each year whether to participate in the program, including but not limited to the following (the “Participating Providers”):

- Immigrant Legal Advocacy Project (ILAP),
- Legal Services for the Elderly (LSE),
- Maine Equal Justice Project (MEJP), and
- Pine Tree Legal Assistance (PTLA).

The Bar Foundation has adopted the following principles and basic procedures, based on similar programs in other states and information from the Participating Providers about the extent of the law school loans of its staff attorneys.

- 1) **Mission.** The Law School Loan Repayment Assistance Program (program) will provide law school loan assistance, in the form of forgivable loans, to ensure the ability of the providers to recruit and maintain a diverse body of highly qualified staff attorneys.
- 2) **Eligibility.** All attorneys employed by the Participating Providers, whether full-time or part-time, who have outstanding law school loans, are eligible to participate for a 10-year period. The Bar Foundation may allow an attorney to receive awards for more than 10 years only if special circumstances apply. Assistance to eligible part-time attorneys shall be pro-rated. For example, attorneys who work four days per week would receive 80% of the assistance for which they would be eligible if they were full-time. Assistance will also be pro-rated for attorneys who are employed for less than the entire year at the Participating Provider's program. For example, an attorney who is employed fulltime for six months of a program year would receive 50% of the assistance for which they would have been eligible if they had been employed at the organization for the entire year. The program will begin in March 2003, and thereafter the program year will run from October 1 through September 30.
- 3) **Contingent on annual funding.** The Bar Foundation has currently allocated \$23,600.00 in funding for the program. Continued operation of the program will

depend upon the continuing availability of funding in succeeding years. The Bar Foundation hopes to make this program permanent, but benefits will be provided in future years only to the extent that funds are available.

- 4) **Extent of assistance.** The program will make forgivable loans equivalent to a percentage of the total outstanding principal of all of a staff attorney's law school loans. The formula will also take into account any law school loan assistance that applicants received from other sources. The maximum amount of loans to any recipient during a program year shall be Five Thousand Dollars (\$5,000.) The formula and extent of assistance are subject to change annually, depending on the availability of funds and the aggregate extent of need shown on the annual applications. In order to avoid undue complexity and intrusiveness, neither the income of other members of an applicant's household, nor other debts of the applicant or other household members will be taken into account in determining eligibility
- 5) **Application Procedure.** On or about March 1 and September 1 of each year, the Bar Foundation will provide an annual application to all staff attorneys at the Participating Providers. The program will also advise newly hired attorneys of their potential eligibility for the program. New attorneys may apply on the application date following the first day of their employment in order to be considered for assistance during the current loan program year. All attorneys who want to participate in the Program must complete an application, which must include:
  - a) a list of law school debts and bar loans, including the name of each lender for each loan, the month and year repayment of each loan began (or is scheduled to begin), the total outstanding balance, and the dollar amount of monthly/quarterly payments;
  - b) if loans have been consolidated, an estimate of the portion applicable to the law school loans of the staff attorney (excluding the portion applicable to undergraduate loans or loans to a spouse); and
  - c) information regarding the attorney's participation in any other loan forgiveness program, the attorney's eligibility for another program (for Perkins loans, for example) and the amount of any such assistance received.
- 6) **Recommendations for awards.** The Bar Foundation will process these applications with the confidentiality accorded to employee personnel records. After compiling the total amount of the requests for assistance and determining the amount of forgivable loans that can be offered to the applicants within the amount of money made available by the Bar Foundation, the Loan Repayment Assistance Program Committee will make recommendations to the Executive Committee of the Bar Foundation as to eligibility and amounts of assistance on or before the April and October Board meeting dates.

- 7) **Final decisions by the Bar Foundation and issuance of loans.** The Board of Directors of the Bar Foundation will make all final decisions concerning eligibility for and the amount of loans issued under this program and will notify applicants of its decisions by April 30 and October 31. Eligible applicants will execute loan documents on or about that date, at the convenience of the Bar Foundation. The Bar Foundation will make loan disbursements on a semi-annual basis in May and November after receipt of the executed note.
- 8) **Loans under this program will be discharged by the Bar Foundation upon certification that the recipients have provided services to the Participating Providers.** The loans granted by the Bar Foundation will be forgivable to the extent that the recipient is employed by a Participating Provider and is providing legal aid to low income and/or disadvantaged clients. At the end of the program year, each Participating Provider will inform the Bar Foundation whether the loan assistance recipients have met this condition in whole or in part. The Bar Foundation will then forgive the loans it has issued, forgiving one-twelfth of each annual loan (or one-sixth of each semi-annual loan) for each month of service actually provided during the applicable program year. The Bar Foundation will notify each recipient of its decision as to the extent of any such forgiveness on or before November 1 after the end of the program year.
- 9) **Federal income tax liability.** The Bar Foundation and the Participating Providers intend and believe in good faith that the discharge of loans issued by the Bar Foundation under this program would not create taxable income for loan recipients under the Internal Revenue Code because of the exemption provide by 26 U.S.C. §108(f), and in particular the 1998 amendments to that section that apply to loans discharged after August 5, 1997. The Bar Foundation is a non-profit refinancing agency under the last sentence of Section 108(f), and the providers are non-profit agencies where the public service is being performed to meet unmet needs as required by Section 108(f)(2)(D)(ii). Notwithstanding the above, each recipient is responsible for determining her/his own federal income tax liability and making all required disclosures to the Internal Revenue Service and any other taxing entity.