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University of Michigan Law School

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Income-Based Debt Management Program (LRAP)

F.A.Q.
The University of Michigan Law School offers an INCOME-BASED DEBT MANAGEMENT PROGRAM, (or Loan Repayment Assistance Program, LRAP) designed to support our graduates in pursuing the area of employment they truly love, without being directed in their choice by any debt they may have incurred in Law School. This F.A.Q. addresses general questions, but there are a lot of details and subtleties in the program that can best be explored by discussing your particular situation with a financial aid counselor. Please contact us at lawfinaid@umich.edu if your particular questions are not answered here.
Q. How, generally, does it work?

A. The program assists those graduates employed in lower-paying jobs with the payment of their educational loans. To participate in our program, our graduates must first enroll in the U.S. Department of Education's Income-Based Repayment plan (IBR) or Pay as You Earn (PAYE) plan. These plans require a certain level of annual payment depending on income, and, if you work for 10 years in a public-interest or public-sector job, the federal government will forgive your outstanding loans entirely. You can also qualify for forgiveness after 20 years (PAYE) or 25 years (IBR) if you are employed in the private sector. You may then apply to our LRAP program each year to receive benefits in the following calendar year after enrolling in IBR/PAYE.

Q. What does Michigan's program provide?

A. For graduates whose incomes are at or below the GS-11 rate for entry-level federal government attorneys ($51,298 in 2015), we will provide an annual payment equivalent to the entire annual IBR/PAYE payment. In other words, graduates at or below that income level will make no payment toward their loans. Graduates with higher salaries, up to 175% of the GS-11 rate, will also receive an IBR/PAYE stipend from us, on a sliding scale.

In addition, for LRAP participants at income levels of 125% of GS-11 or below, if your annual IBR/PAYE payment is too low to cover the annual interest accrual on your debt, the Law School will hold in reserve an amount equivalent to your annual unpaid interest. For participants at higher income levels (up to 150% of the GS-11 rate), unpaid interest is reserved on a sliding scale. In the event you stop participating in our program before your loans qualify for federal loan forgiveness, we will remit to you the reserved funds at your request. This ensures that for most participants in our program, the amount of principal you owe will not be higher if you leave the program prior to total loan forgiveness—not the case in many other programs.

Q. What is the salary cap?

A. Our calculations are tied to the GS-11 rate, which varies annually according to changes in the cost of living. Our cap is 175% of the GS-11 rate for that year. In 2015 the GS-11 base rate is $51,298, so the cap is $89,771.
Q. What kind of debt is covered?
A. Our program is designed to cover the vast majority of debt for the vast majority of our students. Federal loans (Stafford subsidized, Stafford unsubsidized, and GradPLUS loans) taken out for up to six semesters at Michigan Law will be eligible for coverage under the program. Private loans will not be covered unless you were ineligible for federal loans because you were on visa status while attending law school.

Q. What kinds of jobs are covered?
A. You must be employed in a position that is:
   * full-time
   * paid
   * law-related

Generally speaking, if a J.D. is required for the job, then your job is "law-related." (Judicial clerkships, however, are temporary positions that are not qualified employment under the program.) In addition, you must not be a current recipient of other funding from the Law School.

Q. Can I participate if my job is not a public interest position?

YES

A. We do not require that employment be in public interest or public service. We really want our graduates to do the legal work they want to do, whether that is for a public interest organization, the government, or a small law firm in a sparsely populated area. The breadth of our program distinguishes it from most other similar programs.
MY WORLD IS GIVING LOW-INCOME PEOPLE ACCESS TO QUALITY LEGAL SERVICES.

Callie Dendrinos saw the effects of poverty firsthand as an AmeriCorps volunteer in a low-income school, so she wanted to go to law school to learn how to improve the system, one client at a time. The prospect of a staggering debt load after graduation made a top law school out of reach—until Callie learned about Michigan Law’s Debt Management Program, also known as the Loan Repayment Assistance Program (LRAP). “It’s easy to say a law school is committed to public service, but Michigan proves it with the investment it makes in LRAP,” says Callie, who is now an attorney with New Mexico Legal Aid. “All the opportunities the Law School provides would’ve been useless if I hadn’t been able to get help managing my debt. I am so grateful for Michigan Law’s tangible support of my career choice.”
Q. How many people participate in the program?

A. The numbers vary from year to year, but in recent years more than 200 graduates participate annually.

Q. Can my job be anywhere in the world?

YES

A. We have had recipients in Thailand, Lebanon, Korea, and Pakistan, just to name a few.

Q. Do I need to make a long-term commitment to the program?

A. You apply to our LRAP program annually, and you don’t need to make any long-term commitment. You can move in and out of the program and do not need to be enrolled in consecutive years. It is to your benefit, however, to stay in the federal IBR/PAYE program, even if you don’t remain in ours. Under the IBR/PAYE guidelines, if you remain in a public interest or public service job for 120 months, the remainder of your unpaid loans is forgiven. For those in the for-profit sector, forgiveness of the remainder of your loan debt comes at 20 or 25 years, depending on your repayment plan.

Q. Is it “free money,” or do I have to pay it back?

A. Each year you are in the program you receive an interest-free loan from the Law School. If you remain in your same eligible job for that year, the loan is forgiven at the end of the calendar year. If you leave your job during that calendar year or receive a substantial raise that makes you ineligible for the program, though, you will have to pay a prorated amount back to the program for that year. In any event, once your participation in the LRAP ceases, you are in no way obligated to pay back the funding you received from the Law School during your participation.
Q. How many years can I be in the program?
A. You may be enrolled in our program for a total of 10 years. These years do not need to be consecutive.

Q. Do I have to get into the program right after law school?
A. No, but you must enter within five years of graduation. Graduates whose first job is a clerkship are granted an extension for the duration of the clerkship (usually one or two years).

Q. What factors are important in comparing LRAP programs?
A. Many schools offer loan repayment assistance to their graduates. The details of these programs vary considerably, and we urge you to consider the nuances of each. For our recommendation of factors to consider in comparing LRAPs, please visit our LRAP Compare page: law.umich.edu/financialaid/Pages/LRAP-Compare.aspx

Q. Can I really afford to take a lower paying job and still have enough left over to eat and pay my bills?
A. That’s a great question. It’s important to consider how debt will impact your financial future. We strongly encourage you to take a look at our Debt Wizard to see how various factors influence debt. Our Debt Wizard is a calculator that allows law school applicants to begin developing a sense of how location, housing costs, career type, level of law school federal loan debt, and level of income interact in monthly budgets during the initial period following graduation, and serves as a simple means to explore one’s ability to service prospective law school debt including the outcomes related to Michigan’s Debt Management Program: law.umich.edu/debtwizard
Q. Where can I get more information?

A. Please visit our website at:
   law.umich.edu/lrap

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