



CalATJ LRAP FAQs

FAQ 1. *WHAT IS THE CALATJ LOAN REPAYMENT ASSISTANCE PROGRAM?*

A Loan Repayment Assistance Program provides financial help with monthly payments on student loans. This can be in the form of a distribution that reimburses the borrower for some or all of the monthly payments you owe on eligible student loans.

The CalATJ program is designed to provide legal aid lawyers and eligible staff with tax-advantaged LRAP distributions. If you pay student loan principal and interest without an LRAP or with money provided as part of your compensation package, you owe state and federal income taxes on the money, and the plan payments are from after-tax dollars. But the CalATJ program is different. It can distribute funds to cover part or all of your eligible student loan payments on a basis that is excluded from your taxable income. This example shows the benefit:

A legal aid lawyer with \$150,000 in federal loans must pay – under the lowest, income driven payment plan (IDR-SAVE) based on the average California legal aid salary (\$92,000 five years in) – \$5,812 per year in principal and interest, and also pay \$2,383 in taxes on the income used for loan payments. That leaves disposable income after taxes and student debt barely over the MIT-calculated minimum living wage in urban California for a single lawyer with no children, and well short for a lawyer with a family. A fully-funded LRAP could cover the \$5,812 in student loan payments without incurring the \$2,383 in taxes – an \$8,195 benefit at a cost of \$5,812.

FAQ 2. *WHY IS CALATJ OFFERING THE LRAP?*

Legal aid job openings now stay unfilled for months. Retaining experienced lawyers is, if anything, a bigger problem. Currently one third of California legal aid lawyers leave for other jobs each year. Candidate lawyers considering legal aid jobs and veteran lawyers deciding whether to stay report that the number one concern is money, and student loan payments are a major factor. Over 84% of entry-level candidates and over 75% of all legal aid lawyers have educational debt, with the median amount between \$125,000–\$149,000. More than a third owe \$200,000–\$300,000 or more. The problem is even worse for legal aid lawyers of color with a

median educational debt range of \$200,000–\$225,000 (2014 to 2018 graduates).

A tax-advantaged LRAP is an efficient way to close part of the money gap between legal aid lawyers and lawyers in other jobs.

FAQ 3. *WHERE DOES THE FUNDING COME FROM?*

Legal aid organizations can contribute funding to CalATJ for LRAP distributions. The California Legislature has authorized use of IOLTA funds and Equal Access Funds to fund a Loan Repayment Assistance Program administered by CalATJ. The CalATJ LRAP is designed to comply with Section 108(f) of the Internal Revenue Code, so that distributions can be excluded from the participants' taxable income.

Legal aid organizations can contribute money from other sources than IOLTA and EAF. Other contributors can also fund the CalATJ LRAP.

FAQ 4. *WHO CAN RECEIVE CALATJ LRAP DISTRIBUTIONS?*

A Contributor must nominate persons by name to be eligible for funding provided by that Contributor. The persons may be legal aid lawyers (who work at least half-time) if the funding comes from IOLTA or Equal Access Fund money. With other sources of funding the nominees can be non-lawyer staff of a California legal aid organization.

FAQ 5. *WHAT STUDENT LOANS ARE ELIGIBLE?*

Subject to the Use Restrictions, if any (see FAQ 11), CalATJ can reimburse “Eligible Student Loans” as that is defined in your LRAP Participant Agreement. Loans from family members, or credit card debt (even if incurred for educational expense) are kinds of debt that are not Eligible Student Loans.

FAQ 6. *WHEN DO I BECOME ELIGIBLE TO PARTICIPATE?*

Your Contributor can require a waiting period after you start work. Otherwise, you are eligible when you start working for a legal aid organization that nominates you.

Under the LRAP Participant Agreement (Section 4.f), if you join during a month in which you make an eligible student loan payment, CalATJ can reimburse (subject to any cap) for the whole monthly payment as long as the reimbursement does not exceed the amount you actually paid.

FAQ 7. **HOW DO I ENROLL?**

After a legal aid organization includes your name on a nomination list, CalATJ will send an enrollment invitation email with a link to the online platform operated for CalATJ by Fosterus, a student loan-focused nonprofit.

When you log in the platform: You will see this menu:



Some of the functions are labeled for users other than CalATJ. (We will get our own menus soon.) Please note some differences from what the menu suggest (in red type below).

Proceed through the enrollment process as follows:

- 1 “Link Loans”—Select your student loan servicer, input your servicer login credentials, and repeat this until you’ve linked an account for each servicer. Please email us at LRAP@calatj.org if you have a loan servicer that is not listed.
- 2 “Preview MPN”—For other users, this is a Master Promissory Note. **For CalATJ, this tab links to an Enrollment Information Use Agreement. It controls our use of your information but does not commit you to participate in the LRAP.** Please read it.
- 3 “Sign MPN”—**To allow us to use your information to calculate and offer you distributions, please sign the Enrollment Information Use Agreement.**
- 4 “Loans & Awards”—**To enable CalATJ to access information from your loan servicers to calculate your LRAP loan amount, you must enter \$1 as the allocated amount for each loan.** Then click SAVE at the bottom of the screen. This completes your inputs on the platform.
- 5 “Statements”—This is a menu for use after enrollment.

After you have finished inputting information on the platform, CalATJ will review your eligibility and the amount of your payments. We will send an email via DocuSign inviting you to read and sign the LRAP Participant Agreement. (You can preview that agreement here: <https://calatj.egnyte.com/dl/fhm5AM4SXP>)

CalATJ will use BILL.com to make monthly distributions to your bank account. We will send you an email invitation with a link to create a BILL.com account.

FAQ 8. **HOW DOES CALATJ DISTRIBUTE THE REIMBURSEMENT MONEY?**

Each month, CalATJ will send a DocuSign document to your work email address. It will contain “Private Education Loan Approval Disclosure” (to comply with Truth in Lending regulations) and a form seeking confirmations of your continuing eligibility.

You must complete and sign the confirmation form to receive each monthly distribution.

By obtaining confirmations, CalATJ complies with lending requirements, and it also makes sure that each monthly distribution will be entitled to be discharged at the end of the calendar year.

After receiving your confirmation, CalATJ will include a “Private Education Loan Final Disclosure” in your monthly DocuSign package stating the amount it will distribute. (Your monthly DocuSign package – after the first month – will contain three documents: the “Private Education Loan Approval Disclosure” for the distribution that is approved, subject to your confirmations, the ‘Monthly Participant Confirmations,’ and the “Private Education Loan Final Disclosures” describing the distribution that will be made three days later, which corresponds to the Approval Disclosure sent the previous month.) Under Truth in Lending regulations, CalATJ must wait at least three days after sending the Final Disclosures before transmitting your distribution via BILL.com. BILL.com uses ACH payment technology to place the distribution directly into your bank account.

Because of these disclosure requirements, the distributions will trail your payments being reimbursed by approximately one month.

FAQ 9. *WHAT ABOUT REIMBURSEMENT FOR PAYMENTS I MADE BEFORE I ENROLLED?*

If funded by your Contributor, CalATJ will reimburse you in your initial distribution retroactively for earlier months. The amount of your reimbursement will be stated in the “Private Education Loan Approval Disclosure” CalATJ will send for your first distribution.

FAQ 10. *ARE THE LRAP DISTRIBUTIONS LIMITED TO THE LOWEST AVAILABLE PAYMENT RATE? WHY? HOW IS THAT DETERMINED?*

California law made it possible for legal aid organizations that receive IOLTA and EAF money to contribute to the CalATJ LRAP. One requirement imposed by the Legislature is that CalATJ may cover only the amount of the monthly payments under the Lowest Available Repayment Plan (defined in our agreements).

We understand that requirement to apply only if the lender to whom you owe monthly payments actually offers alternative repayment plans that would have lower payments. So, for example, if you have a private loan that does not offer you the option of changing to a lower repayment rate, your loan payments qualify as

the lowest available repayment plan. We will ask you to confirm that in the monthly confirmations mentioned in FAQ 8.

If you have a federal loan for which an Income Driven Repayment Plan is available, and you pay on that plan, that satisfies the lowest available repayment plan requirement. (Although it is likely in your interest to switch to the IDR-SAVE when you can, CalATJ will not differentiate between that plan and other IDR plans.)

If you have a federal loan and have chosen to make the Standard payments, CalATJ will use compensation information obtained from your employer to estimate the amount of an IDR payment for your loan, and if that is lower than your Standard payment and any dollar cap set by your Contributor, the estimated IDR payment amount will cap your reimbursement. (The Enrollment Information Use Agreement mentioned in FAQ 7 contains a consent for CalATJ to obtain compensation information from your employer and use it confidentially for this purpose only.)

FAQ 11. *WHAT OTHER LIMITS AND ELIGIBILITY REQUIREMENTS ARE THERE, AND WHO DECIDES THEM?*

Contributors are entitled to decide on restrictions (called “Use Restrictions” in the LRAP Participant Agreement) on CalATJ’s use of their contributed funds. Typically, that includes a dollar cap for monthly distributions. It may also be limited to the type of loan (e.g. federal only, or law school only) that CalATJ may reimburse with the restricted contribution.

Exhibit 1 to your LRAP Participant Agreement will state the Use Restrictions applicable at the time you sign the agreement. The Use Restrictions can be changed later, to take effect after written notice to you.

FAQ 12. *DOES CALATJ CHARGE INTEREST?*

To receive the tax advantage under Internal Revenue Code Section 108(f), the distributions must come as a bona fide loan. If we must collect interest because the requirements for discharge are not met, we will use the minimum interest rate that must be charged under IRS rules to avoid tax liability for a gift. (See “Interest Accrual, Section 1.m. of the LRAP Participant Agreement.)

However, you will not be asked to *pay* interest as long as the requirements for discharge are met.

FAQ 13. *HOW DOES THE DISCHARGE (FORGIVENESS) OF THE LRAP LOAN WORK?*

The CalATJ LRAP is designed to comply with the provisions of 26 U.S.C. §108 “Income from the discharge of indebtedness” of the Internal Revenue Code, particularly Section (f), “Student Loans.” If you meet the requirements – that you are nominated by a contributor to the CalATJ LRAP, you make the student loan payments that the LRAP can reimburse, and you stay employed at a California legal aid organization – your loan balance will be discharged and you will make no payments.

CalATJ will make discharge determinations at the end of each calendar year, and send you a Discharge Notice within 60 days if you have met the requirements. Because CalATJ will seek to confirm each month that the requirements are met before making additional distributions, the LRAP is designed to maximize the percentage of its loans that are discharged.

FAQ 14. *CAN I BE LIABLE TO REPAY THE LRAP DISTRIBUTIONS?*

If CalATJ is not able to discharge your LRAP Loan balance, it must issue a Repayment Notice. (See Section 6 of the LRAP Participant Agreement.) As FAQ 13 explains, this should be the very rare case.

As the agreement states, you would be allowed to choose between 24 and 48 months as the repayment period. You could request deferment of payment dates if needed. And CalATJ itself will not engage in any collection efforts.

FAQ 15. *WHAT IS THE DIFFERENCE BETWEEN THE CalATJ LRAP AND THE PUBLIC SERVICE LOAN FORGIVENESS PROGRAM?*

The LRAP will reimburse you for all or part of your monthly interest and principal payments on eligible student loans. Subject to narrower Use Restrictions by your Contributor, the payments can be for both federal and private loans. If you meet the requirements, CalATJ will discharge the total that CalATJ distributes to you to reimburse monthly student loan payments. CalATJ will not reimburse you for or forgive the *balances* you owe on those other student loans.

The U.S. Department of Education’s Public Service Loan Forgiveness Program, on the other hand, can forgive the entire balance you owe the Department on “qualifying” federal loans such as:

- Any loan received under the William D. Ford Federal Direct Loan (Direct Loan) Program qualifies for PSLF, including:
 - Direct Subsidized Loans
 - Direct Unsubsidized Loans
 - Direct PLUS Loans
 - Direct Consolidation Loans
- For more information: <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service#eligible-loans>

FAQ 16. *HOW DO I LEARN MORE?*

More information is available at LRAP@CalATJ.org or 510-255-0577

You can set up a one-on-one call or meeting with CalATJ Executive Director, Jack Londen, by emailing him at jlonden@CalATJ.org (with a copy to LRAP@CalATJ.org)