



CALIFORNIA ACCESS TO JUSTICE COMMISSION LOAN REPAYMENT ASSISTANCE PROGRAM: INFORMATION ABOUT FUNDING CONTRIBUTIONS

The California Access to Justice Commission (CalATJ) provides this information for organizations considering contributions to fund the CalATJ Loan Repayment Assistance Program (LRAP) for legal aid lawyers and, if a funding source is available, other staff members. This document is to explain the funder's role, and the decisions you may make in structuring the use of your funds. (Items below are numbered to make it easier to ask specific questions.)

1. CalATJ is a nonprofit public benefit corporation that is exempt from taxation under Internal Revenue Code Sections 501(c)(3).
2. CalATJ will operate a Loan Repayment Assistance Program to distribute funds to pay or reimburse for the payment of periodic interest and principal that Participants¹ owe on Eligible Student Loans. CalATJ LRAP distributions may not be used for any other purpose.
3. CalATJ will structure its LRAP to comply with Internal Revenue Code Section 108(f), providing distributions of refinance loans to Participants who are employed by organizations described in Section 501(c) and that are exempt from tax under Section 501(a) of the Internal Revenue Code, serving unmet needs. The CalATJ LRAP will be structured to comply with requirements so that the balance owed under the refinance loan can be discharged if the Participant works for a period of time described in the LRAP Participant Agreement, and so that (pursuant to Section 108(f) of the Internal Revenue Code) the discharge will be excluded from gross taxable income.
4. CalATJ will solicit funding from Contributors who may impose Use Restrictions on their contributions to the CalATJ LRAP.
5. Contributors must comply with the requirements of the sources of their funding, including, for California IOLTA and Equal Access Fund money, the "Guidelines for the Use of LSTFC-Administered Funds as Loan Repayment Assistance" issued by the California Legal Services Trust Fund Commission (LSTFC Guidelines). Contributors must not account for the funds contributed to CalATJ as part of employee compensation or personnel costs.
6. Subject to compliance with the requirements of the Contributors' sources of funding, a Contributor may include Use Restrictions in its LRAP Contribution Agreement with CalATJ. Use Restrictions may include:

¹ Underlined terms are defined in section 12.

- a. A Contributor may designate persons whose Eligible Student Loan payments it wishes to cover as Participants. A Contributor may include funding to cover Eligible Student Loan payments owed by:
 - i. Lawyers who work for a Legal Services Organization (LSO) (which may be, but is not required to be, the Contributor).
 - ii. Non-lawyers who work for an LSO (which may be, but is not required to be, the Contributor) serving unmet needs). LRAP coverage for Participants in this category must be funded from a source other than IOLTA or EAF.
 - b. The Contributor may specify work requirements (e.g., full-time employment) that will be necessary to qualify.
 - c. The Contributor may include a cap on how much of each Participant's periodic principal and interest payments will be covered. The cap may be a maximum dollar amount (e.g., up to \$600 per month) or a designated percentage of all Participants' periodic payment obligations.
 - d. The Contributor may specify the timing of distributions to Participants covered by their restricted funding. Longer intervals (e.g., the end of a calendar year) for distributions may be chosen as an incentive to a longer period of continued employment. Shorter intervals may be chosen to provide cash flow to Participants. CalATJ will determine case-by-case whether it can accept distribution intervals shorter than quarterly.
 - e. The Contributor may specify the Required Work Period (e.g., one year) applicable to its designated Participants. (Please take note of the explanation of how the Required Work Period will be implemented, in its definition below.)
 - f. CalATJ will try to accommodate other restrictions to conform to the structure and procedures of any LRAP program that this LRAP program replaces or supersedes, and with any other commitments or constraints (e.g., a collective bargaining agreement) on the Contributor's ability to participate in this LRAP project. The CalATJ will comply with the restrictions; but the CalATJ will not accept a contribution unless the Contributor warrants that all restrictions and conditions of the sources of the funding are consistent with the Use Restrictions.
7. CalATJ will only be able to make distributions to Participants if, and to the extent that, it has received sufficient contributed funds that are permitted to be so used.
- a. CalATJ and the Contributor can arrange for periodic funding – e.g., all at once, quarterly, monthly – if the required amounts will be on hand when a set of distributions are due.

- b. If and when the available funding is insufficient to cover distributions that would otherwise be provided under LRAP Participant Agreements, CalATJ will give advance notice to relevant Contributors and to the relevant Participants, and it will reduce the distributions pro rata (by an equal percentage) to the amount that available funding permits.
 - c. If at the end of a funding period designated in an LRAP Contribution Agreement (e.g. a calendar year), the remaining balance of funds from any Contributor have exceeded the distributions CalATJ could make consistently with that Contributor's Use Restrictions and applicable law, CalATJ will return the remaining balance to the Contributor unless it instructs CalATJ to apply the balance to a subsequent funding period.
- 8. After each Participant's Required Work Period ends, CalATJ will issue a discharge notice stating the amount of the distributions made to the Participant during the period and the applicable Interest Accrual, stating whether the requirements for discharge have been satisfied, and stating the amount that has been discharged. If any distributions or Interest Accrual for that Required Work Period are not discharged, CalATJ will provide written notice, explaining why the amounts were not discharged.
- 9. CalATJ will collect from Participants information necessary to document that they made periodic interest and principal payments on Eligible Student Loans sufficient to comply with the requirements for discharge of their balances. CalATJ will collect from LSOs that employ Participants current documentation of their period of continuing employment. CalATJ will make information available to Contributors to comply with their needs for reports to LSTFC and for financial accounting and audits.
- 10. CalATJ will not charge an administrative fee to Contributors or LSOs who receive IOLTA or EAF. (CalATJ receives administrative funding from the State.)
- 11. CalATJ will, subject to the availability of funding usable for a Participant and satisfaction of the requirements in the LRAP Participant Agreement, provide money equal to the amount of Principal's principal and interest payments on Eligible Student Loans during the term of the LRAP Participant Agreement.
- 12. Definitions
 - a. "Contributor" means a person or organization that makes a contribution to the CalATJ LRAP pursuant to an LRAP Contribution Agreement. A Contributor may be, but is not required to be, and LSO.
 - b. "Eligible Student Loans" means a loan taken to pay qualified education expenses (including amounts paid for tuition and fees, room and board, books, supplies, equipment, and other necessary expenses (such as transportation) to attend an

educational organization described in Section 170(b)(1)(A) of the internal Revenue Code, made by a lender described in Section 108(f)(2).

- c. “Interest Accrual” means the amount accrued on a balance under a LRAP Participant Agreement for any time period. CalATJ intends for the interest rate to be a rate equal to or (if required) greater than the minimum published by the Internal Revenue Service for mid-term loans as of the date of the LRAP Participant Agreement.
- d. “Legal Services Organization” or “LSO” means a qualified legal services project or a qualified support center as defined in section 6213 of the Business and Professions Code; or another tax-exempt nonprofit that employs lawyers who provide assistance to low-income persons or others with unmet legal needs in California.
- e. “LRAP Contribution Agreement” means a written contract pursuant to which a Contributor provides funding for the CalATJ LRAP. The contract will provide that CalATJ will comply with the stated Use Restrictions, but that CalATJ will not be an agent of Contributor or subject to its discretion or control.
- f. “LRAP Participant Agreement” means the written contract between CalATJ and a Participant providing the terms of a refinance loan for the purpose of (i) reimbursing the Participant for interest and/or principal payments actually made on Eligible Student Loans or (ii) directly paying such interest and/or principal obligations on behalf of a Participant. The contract will provide that the Participant will not provide any services to CalATJ as part of or in connection with the LRAP.
- g. “Participant” means a person employed by an LSO to serve unmet needs who enters into an LRAP Participant Agreement with CalATJ.
- h. “Required Work Period” means the period of time after the LRAP Participant Agreement is in force during with a Participant must continue working for an LSO to satisfy the conditions for discharge. CalATJ intends to make distributions only after verifying that the Participant has complied with the requirements for discharge though that period. At the end of each Required Work Period, CalATJ will (subject to compliance with the Internal Revenue Code, and applicable law) discharge liability for the balance accrued during the portion of the period while the Participant was in compliance with all requirements of the LRAP Participant Agreement. Accordingly, there should be no distributions to Participants who have not complied with the requirements, and all distributions should be eligible for discharge.
- i. The meaning of “Use Restrictions” is explained in Section 6 above.

For more information, or to begin a discussion of becoming a Contributor, please contact CalATJ Executive Director, Jack Londen, at jlonden@CCalATJ.org. Please copy LRAP@CalATJ.org.