Northwestern’s LRAP Program:
The nuts and bolts you need to know
History of Loan Repayment Assistance at Northwestern Law

• First program in 1984: LRAP
• Major revisions in 2002: Public Service Fellowship Program
• Enactment of College Cost Reduction and Access Act (CCRAA) of 2007 gave all law schools a reason to reexamine their loan forgiveness programs
• Group of students, faculty and administrators met in 2009-10 to revise the program again.
College Cost Reduction and Access Act

- The College Cost Reduction and Access Act (CCRAA) of 2007 helps public service lawyers in two essential ways:
  - **Income-Driven Repayment Plans**
    Several program options that lower monthly student loan payments on federally guaranteed student loans.
    Example: Income-Based Repayment (IBR) - Annual debt payments under IBR capped at 15% of *discretionary income* (defined as adjusted gross income minus 150% of the poverty level for the borrower’s family size).
  - **Public Service Loan Forgiveness**
    Cancels remaining debt for public servants after 10 years of public service employment.
CCRAA Provisions

• Only for federal educational loans
• Must consolidate into Direct Loan program
• Any type of employment qualifies for IBR or other income-driven plans
• Income-driven payments may be so low that they do not cover interest
• Last week’s program provided more details on CCRAA – will be made available in a PowerPoint on CareerSpace
LRAP: Eligibility

- Job must require a JD or fall within the ABA’s definition of a “JD Advantage” position
- Start job immediately after graduation or after a clerkship
- Must spend entirety of LRAP award on student loan payments
LRAP: Income Calculation
(resulting in NU AGI)

• Income is the higher of the graduate’s individual income or the average of the graduate’s income and that of his or her spouse, minus the deductions below.

  – Deductions from income of $5000 for each child and for a spouse.

  – Deductions taken from income for annual payments made towards undergraduate and other educational non-law school debt.
LRAP: IBR Calculation

• Use NU AGI with a household of one
• Use only Northwestern law school loans
• We have online calculator and so do sites like FinAid.org.
• NU calculation for IBR may be different than CCRAA calculation because we use NU AGI and household of one.
LRAP: Unpaid Interest Calculation

- Unpaid Interest Calculation
  - Relevant for first 5 years of LRAP eligibility
  - Use online calculator for a standard ten year repayment based on current estimated blended interest rate (currently 8%). This rate might vary from year to year.
  - Calculate unpaid interest on law school loans.

- The unpaid interest figure is the interest portion of a standard ten year payment for year one, month one.
Income Cap, Award Maximum & Taxes

- No income caps
- No maximum award cap
- Tax issues
  - Participants must used the entire award to pay educational debt.
  - Awards will be given in the form of forgivable loans
  - If these two conditions are met, the awards should be not subject to taxation as income
## Formula During Years 1-5

<table>
<thead>
<tr>
<th>NU AGI</th>
<th>Law School Debt</th>
<th>$100,000-$149,000</th>
<th>$50,000-$99,999</th>
<th>&lt;$50,000</th>
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<tbody>
<tr>
<td>&lt;$45,000</td>
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<td>100% IBR + 75% UI</td>
<td>100% IBR + 50% UI</td>
<td>100% IBR + 25% UI</td>
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<tr>
<td>$45,000-$54,999</td>
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<tr>
<td>$65,000-$74,999</td>
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<tr>
<td>&gt;$75,000</td>
<td></td>
<td>50% UI</td>
<td>50% UI</td>
<td>50% UI</td>
</tr>
</tbody>
</table>
Formula During Years 6-10

Graduates can participate for ten years; reduced awards in years 6-10 as unpaid interest component is phased out.

- In years 6-10, awards granted using same sliding scale used in years 1-5 minus unpaid interest amount; provides reduced award for those on their way to forgiveness.

- Students who choose to leave after several years have been paying on the unpaid interest so the cost of leaving will not be so great.

<table>
<thead>
<tr>
<th>NU AGI</th>
<th>Award</th>
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<tr>
<td>&lt;$45,000</td>
<td>100% IBR</td>
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<tr>
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<td>&gt;$75,000</td>
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</tbody>
</table>
Sally Student Debt Example

- First year loans (2016-17) $56,457
- Second year loans (2017-18) $67,005
- Third year loans (2018-19) $69,145
- Total Debt at graduation $192,607

*Combination of Unsubsidized Stafford and GradPLUS loans.*
Sally’s Repayment on Standard Plans

Under 10 year plan
– Per month payment $2,314
– Total accrued interest $85,706
– Total amount paid $277,783

Under 25 year plan
– Per month payment $1,462
– Total accrued interest $246,821
– Total amount paid $438,898
What if Sally Chooses IBR?

- Debt: $192,607
- Starting income: $46,000
- Yearly payment under 10-yr plan: $27,768

- New annual first-year payment under CCRAA: $4,452 ($371/month)

- After ten years of public service, Sally’s remaining federal loan debt will be forgiven.
Sally’s award under LRAP

YEAR ONE
- Debt: $192,607
- Starting income: $46,000
- Annual IBR payments under year one of CCRAA: $4,452
- Annual Unpaid Interest under year one of CCRAA: $9,176

- Her first year under the new program, Sally would receive:
  - 75% of her annual IBR payment: $3,336
  - plus 75% of Unpaid Interest: $6,882

- Her annual LRAP award would be $10,218
  - She would be able to make her IBR payments plus pay down most of her unpaid interest.
  - If she also uses some of her own money to make payments, she could pay all interest and some principal
The Calculator

• Our calculator and details about LRAP are at
  http://www.law.northwestern.edu/admissions/tuitionaid/loans/lrap.html

• Urge you to use it to explore different scenarios
Questions?

Contact the Law School Career Strategy Center:

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