2018 INCOME-BASED DEBT MANAGEMENT PROGRAM
INFORMATION AND INSTRUCTIONS

The University of Michigan Law School is committed to encouraging its alumni to pursue a diverse range of employment opportunities. For those graduates whose career goals are not accompanied by high pay, we are proud to offer our Income-Based Debt Management Program. This program offers loan repayment assistance to individuals committed to the ideals exemplified by such jobs and allows them to maintain a moderate lifestyle while fulfilling their student loan obligations.

Our program, developed by a faculty-led committee, takes advantage of three of the federal government’s Income-Driven Repayment Plans (Income-Based Repayment (IBR), Pay as You Earn (PAYE), and Revised Pay as You Earn (REPAYE)) while, in some cases, limiting the negative consequence of accruing unpaid interest. If, after reviewing the program instructions, you still have questions, please visit our FAQ or contact us at lawfinaid@umich.edu.

We hope this program will allow our JD alumni to pursue work that is professionally and personally rewarding. The program is subject to change based upon funding levels and priority considerations.

Overview of Program

Eligibility

- JD graduating class of 1986 or later (all graduates 2011 or later must apply within 5 years of graduation. For example, if you graduated in May 2014, your first opportunity to apply was Fall 2014 for Debt Management support in 2015. Your fifth and final opportunity to apply will be Fall 2018 for 2019 support.
- Employed full-time in paying law-related work (please see below for more information)
- Federal loans must be placed on the government’s IBR, PAYE, or REPAYE plan, and the monthly payment must be lower than the standard 10-year repayment amount
• Gross income must be no more than 175% of the base GS-11 rate. (For 2017, the income cap is approximately $91,575)
• Can receive funding from the program for up to 10 (non-consecutive) years. Support during any part of the year counts as a full year of participation.
• Must not be delinquent or in default on educational loans
• Must not owe any money to the University of Michigan
• Judicial clerks for a set term are not eligible to participate during year(s) of clerkship although the years of clerkship (one or two) will extend the 5-year window of application after graduation accordingly. Please note, individuals employed in permanent (or career) clerkships are eligible to participate.
• Temporary positions of fewer than 12-months are not eligible for funding
• Michigan Bates and Bridge Fellowships funded by Michigan Law are excluded, although other full-time, law-related paid fellowships are considered eligible

"Law-related" of course includes those jobs that require an individual to be licensed to practice law, such as working in a law firm or legal services office, representing and advising clients; working at a state or federal agency, representing the legal interests of the government; or working in the general counsel's office of a corporation. "Law-related" also includes any job for which a JD was required in order to obtain the position, even if the job does not involve the practice of law or require bar passage or an active law license. Examples include contract review, corporate compliance, and management consulting, as well as legal policy work, whether for the government, an advocacy organization, or a research and educational institution.

Eligibility for our Debt Management Program requires more, however, than an employer's affirmation that the JD is helpful in performing the duties of the job. So, for example, a law degree can certainly contribute to an individual's abilities as a public speaker, but that fact is not sufficient to demonstrate that a job is "law-related." Applicants must demonstrate that the job requires skills or knowledge which could only have been attained as part of a legal education.

Special note for those pursuing Presidential Management Fellowship (PMF) positions: On rare occasions, the job you receive may not be law-related and, therefore, makes you ineligible for the Law School's loan repayment assistance programs. The Office of Career Planning will work with you as much as possible to avoid this, but if you have any concerns, please be in consultation with the Financial Aid Office to discuss your eligibility.

**Eligible Loans**
Only certain educational loans will be covered:
• Direct/Stafford subsidized, unsubsidized, and GradPLUS loans borrowed to attend Michigan Law are eligible. These loans must be placed on the Department of Education’s IBR, PAYE, or REPAYE plans.
• The only eligible private loans are bar loans (up to $8,000) and computer loans borrowed during law school.
• Our program also covers private loans for recipients who were ineligible for federal loans because they were on visa status while attending law school. In this situation, our program will not cover more than what the recipient would have been eligible for had the loans been federal and placed on IBR. Private loans are not eligible for IBR, so the out-of-pocket costs could be higher.
• Loans to cover attendance at an institution other than Michigan Law will not be included in the program.
• Applicants who are not eligible for the government’s IBR/PAYE/REPAYE program based on the debt they incurred at Michigan Law, even if they have other debt that makes them eligible for IBR/PAYE/REPAYE will not be eligible for Michigan’s Income-Based Debt Management Program. In addition, if an applicant’s income rises to the level where their IBR/PAYE/REPAYE payment is equal to or greater than what the payment would be on a 10-year repayment plan, they are no longer eligible for support under Michigan’s program.
• For dual degree students, we will consider up to six semesters of debt for those terms in which you were enrolled at the Law School.

**Consolidation**
Please note, recently, there has been an increase in the number of vendors offering private loan consolidation services, including companies that purport to assist you with government options. Please contact us before signing up for any of these services. While some may be legitimate, any consolidation could affect your eligibility for our program or federal government repayment or forgiveness options.

Only certain federal Direct Loans qualify for the government’s 10-year Public Service Loan Forgiveness Program (PSLF). Details are available on the Federal Student Aid website. It’s possible that you might have non-Direct federal loans (Perkins, FFEL Stafford loans, etc.), most likely from another school, that do not qualify for PSLF. Please contact your federal loan servicer(s) for your loans types or you may review this information on the National Student Loan Data System (NSLDS). If you have any federal loans that are non-Direct, you can make them eligible for PSLF by consolidating them on StudentLoans.gov. Please contact us prior to completing a Direct Loan Consolidation to discuss which loans should be included (you do not have to include all of them). Counseling is very important because consolidation will wipe out any time toward forgiveness that you may have earned on your eligible loans. There are also interest rate implications with a Direct Loan Consolidation that should be taken into consideration.

**Income**
Gross income includes all forms of income earned or received during the year, including, but not limited to, wages or salary from the eligible job, as well as bonuses, overtime payments, income from any other employment, dividend income, interest income, alimony, rental income, and housing and living expense allowances. Our application requires actual gross income, not Adjusted Gross Income as reported on the income tax
return. Please bear in mind that Michigan Law uses the applicant’s actual current gross income, while the government, in calculating IBR/PAYE/REPAYE eligibility, will review the previous year’s AGI which could result in two different calculations. Our benefit will be based on our calculation, even though it may differ from the government.

Changes in Graduate’s Financial Condition

- Eligibility for IBR/PAYE/REPAYE, and, consequently, our program, is based upon income, family size, and required monthly loan payments on covered loans (please see Eligible Loans above). If any of these figures change, eligibility for the program can be affected and could result in the graduate being required to return funds to the program. We can cover an increase in your monthly payment, so long as it’s based on the income you report on your application or any salary increase you report on your application. Due to budgetary constraints, however, changes resulting from unreported or unanticipated income changes cannot be accommodated. For example, if your income is $50,000 per year when you apply for LRAP in the fall, then it unexpectedly increases to $75,000 per year the following spring, we would only be able to consider the maximum IBR/PAYE/REPAYE payment for an income of $50,000 per year.
- Any changes in income, employer or employment status, loan payments or status, family size, or support from any other loan forgiveness program must be communicated to the Financial Aid Office immediately.

Selection Criteria

Applicants with incomes below 175% of the base GS-11 rate (around $91,575) will be deemed eligible for the program, assuming they have applied by the deadline and meet all the required criteria. If, however, the number of eligible applicants exceeds available resources, the Law School reserves the right to adjust eligible benefits based upon applicants' comparative need and other appropriate factors, such as deadline dates.

Eligibility Structure

There is a 3-Tier structure based on gross income and eligible loans.

Tier 1: Income less than or equal to GS-11 base rate (around $52,329 or below)
- Michigan Law provides to the graduate the entire IBR/PAYE/REPAYE payment; graduate makes no payment toward covered loans
- Michigan Law pays an amount equal to any unpaid interest on covered loans into a reserve fund, which can be used to pay down accrued interest if the graduate leaves the program before earning federal loan forgiveness and is not employed in a PSLF-eligible job (see also Reserve Fund below for detailed information).

Tier 2: Income greater than GS-11 base rate but less than or equal to 150% of GS-11 (~$52,330~ $78,493)
- Michigan Law provides to the graduate the entire interest portion of the IBR/PAYE/REPAYE payment
- Michigan Law pays an amount equal to any unpaid interest into a reserve fund if the graduate’s income is less than 125% of GS-11 (~$65,411). If the graduate’s income is between 125% and 150% of GS-11, Michigan Law will reserve a percentage of the unpaid interest on a decreasing sliding scale basis reaching 0
when income exceeds 150% of GS-11 (see also Reserve Fund below for detailed information).

- If IBR/PAYE/REPAYE requires any payment above interest (to pay principal), Michigan Law covers that amount on a decreasing basis from GS-11 to 125% of GS-11. The graduate pays the rest of the principal that is required by the IBR/PAYE/REPAYE payment amount.

### Tier 3: Income greater than 150% of GS-11 base rate but less than 175% of GS-11 (~$78,494–~$91,575)

- Michigan Law provides to the graduate part of the interest portion of the IBR/PAYE/REPAYE payment, decreasing from 100% at 150% of GS-11 to 0% at 175% of GS-11. The graduate pays the rest.
- No reserve for unpaid interest
- Graduate is responsible for any required payment toward principal

Our benefit is based upon the graduate’s gross income (ignoring spousal income) and the IBR/PAYE/REPAYE payment, as calculated by Michigan Law, bearing in mind that our benefit can never exceed the actual IBR/PAYE/REPAYE payment or what the graduate would pay on a standard 10-year repayment plan. If the graduate chooses to file a joint tax return with a spouse, and the resulting IBR/PAYE/REPAYE payment is higher than it would have been if filing separately, the graduate will be responsible for the payment difference.

### Reserve Fund

If the graduate’s income is less than 150% of base rate GS-11, Michigan Law will place some or all of the unpaid interest into a reserve account (see Tier 1 and Tier 2 above). As long as the graduate stays in Michigan Law’s program for at least two consecutive years, the graduate can request that the funds in the reserve account be forwarded to the Department of Education for payment of the unpaid accrued interest if the graduate leaves the program and is not currently employed in a PSLF-eligible position or is not otherwise pursuing 10-year PSLF. The graduate may only request money from the reserve fund once, and it must be claimed within five years of leaving Michigan Law’s program.

### Leaving the Program

If the graduate becomes ineligible for our program because of failure to reapply by the deadline date, a job change that results in ineligibility, or job loss, the graduate may reapply in future years once eligibility has been reestablished.

Recipients of funds risk suspension from the program if they fail to make timely required loan payments, or if they make special arrangements with any lender to put their loan payments into deferment or forbearance during the year that the recipient is receiving funds, without the consent of the Financial Aid Office.

### Application

Applications and all supporting documentation must be submitted by **11:59PM EST November 1, 2017**. You must submit the online application, and the application must be supported by:
• Your 2016 federal tax return or an affidavit of non-filing
• Employment certification form(s) from all your employers (If self-employed, please contact us for alternative forms.)
• Current monthly billing statements from your loan servicer with the IBR/PAYE/REPAYE payment, and any private bar or computer loans (if you are requesting coverage for those loans).
  o If you do not have a current monthly billing statement that shows you are enrolled in IBR, PAYE, or REPAYE (because you recently applied), you are still required to submit documentation that shows the current status of your loans (online statement, loan summary page, etc.) by the deadline. You must also send us an updated monthly billing statement as soon as you are enrolled in IBR, PAYE, or REPAYE.

If you did not, and were not required to file a 2016 tax return, please attach a separate sheet with the following statement: "I hereby declare that by federal law I am not required to file, and did not file a federal income tax return for the 2016 tax year and therefore cannot supply a copy to the Law School Financial Aid Office as required." Please sign and date the statement.

All supporting documentation (employer certification forms, copies of monthly billing statements, tax return or affidavit of non-filing, and release form) as well as a complete online application must reach the Financial Aid Office or be postmarked by November 1, 2017. December 2017 graduates must submit their applications and supporting documentation by May 1, 2018. Applications received after the deadline will not be considered.

**Disbursement**
In early February and July, Michigan Law will disburse to eligible recipients lump sum payments for which the applicant qualifies. Before the July disbursement, applicants must submit a certification form confirming that all covered loans are not delinquent or in default, and that the loans have not been deferred, put into forbearance, or had arrangements made for lower loan payments since the initial application was completed. In addition, we require affirmation that no changes in the participant's financial or employment circumstances have occurred since submission of the application. Applicants should be prepared to make their January, February, and July loan payments prior to receiving their disbursements from Michigan Law. Eligibility for those months will be included in their disbursements.

Participation in the program constitutes assumption of the legal obligation to repay all unforgiven loans provided through this program. All participants will be required to sign a promissory note to this effect prior to disbursement. Please see forgiveness below for more information.

**Tax Implication**
All recipients receive loan repayment assistance in the form of a loan that is forgiven at the end of the year in which the loan is made. Debt Management support may be considered by the IRS as taxable income; we recommend consulting with a tax advisor to
determine your tax liability, if any. In some cases, the forgiven loan may constitute part of an individual’s taxable income, thereby possibly increasing taxes owed at the end of the year. The University of Michigan will not issue any tax-related forms or withhold any part of the disbursements for taxes, so please plan accordingly.

** Forgiveness**

There are two levels of forgiveness in the program: annual forgiveness from Michigan Law and **Public Service Loan Forgiveness** from the Department of Education on any remaining Direct federal loans after 10 years. Each year in the program, the participant will receive a zero percent interest loan from Michigan Law for the annual disbursement amount to assist in making required loan payments to your federal loan servicer (and private lenders for computer and bar loans, if applicable). This loan will be forgiven at the end of the year unless any eligibility was reduced during the year and the participant failed to return the excess funds received. Eligibility can be reduced at any time due to changes in finances or employment. If the graduate does not return excess money received, such amount will not be forgiven at the end of the year.

Although there is no legal obligation to repay the amounts forgiven under this program, we hope and expect that recipients recognize that continuation of this and other financial aid programs of Michigan Law are dependent upon the generosity of our alumni.

Public Service Loan Forgiveness from the Department of Education occurs after 10 years, or 120 payments (they do not need to be consecutive) as long as the participant is employed full-time in an eligible public service position as defined by the Department of Education. Requirements for qualifying employment are available on the [Federal Student Aid website](http://www.fafsa.gov). Once the participant has made the 120 payments, and provided the Department of Education with proof of employment at an eligible job while making those payments, the remainder of the Direct federal loans (Unsubsidized, Stafford, and GradPLUS loans) will be forgiven by the Department of Education. Those not meeting the public service definition as listed on the Federal Student Aid website can still receive forgiveness after 25 years with IBR/REPAYE or 20 years for PAYE, instead of 10. We encourage graduates employed in an eligible public service position to submit an employer certification form to FedLoan Servicing for review of eligibility of the graduate’s job.

** Repayment of Loans Received Under the Program**

If the annual loan from Michigan Law is not forgiven as stated above, repayment of unforgiven loans will begin six months following the end of the prior Debt Management eligibility year or six months after leaving the program according to the terms of the promissory note. We will assume an applicant has left the program if the application or any supporting documents are not received by the previously stated deadline dates. The Assistant Dean for Financial Aid, working with the Office of Loan Collections, has the discretion to authorize a refunding note with an income-sensitive repayment schedule. Interest in either case shall be at seven percent.

Please contact the Financial Aid Office if you have any questions about the Debt Management Program or the application process. We hope this program will continue to serve the needs of our alumni.