2019 Traditional 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 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. 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 entering class of 1984 through 2010
- Employed full-time in paying law-related work (please see below for more information)
- 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 interest that accrued during the clerkship year(s) will be added to the equation to determine eligibility after the clerkship has concluded. 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
- Bates 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 borrowed to attend Michigan Law will be considered, and only the principal, not any accumulated interest, will be used in our calculations.

- Stafford subsidized and unsubsidized loans borrowed to attend Michigan Law
- Private loans, Grad PLUS loans, and loans from the Law School, with the exception of loans borrowed to cover the student contribution as calculated by the Financial Aid Office
- Bar loans (up to $8,000) and computer loans

Loans to cover the student contribution or to attend an institution other than Michigan Law will not be included in the program. The expected student contribution is calculated by the Financial Aid Office as the amount a student could have contributed toward their tuition or living expenses during law school. This calculation is based on the student’s income and assets, including summer employment during Law School, and varied each year a student was enrolled. Though a student could have chosen to borrow loans to cover the expected student contribution, those loans will not be included in our debt management support. If the graduate has non-Michigan Law educational debt, we will subtract the amount of any required payments toward that debt from the applicant’s stated income in calculating eligibility for our program. Such payments will reduce the applicant’s expected contribution toward the required Michigan Law debt monthly payment.

For dual degree students, we will cover up to six semesters of debt for those terms in which you were enrolled at the Law School.

**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, forbearance, or to extend the repayment**
period during the year that the recipient is receiving funds, without the consent of the Financial Aid Office.

**Consolidation**
You are not expected to consolidate your covered federal loans or extend the payment period of these loans to their maximum repayment period. 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.

**Spouse**
- Married graduates will be treated as having the higher of (a) the graduate’s income, or (b) half the joint income, if the spouse has a higher income than the graduate.

  Example 1: Graduate earns $60,000 annually, and spouse earns $45,000. The imputed income will be $60,000.
  Example 2: Graduate earns $45,000 annually and spouse earns $60,000. The imputed income will be $(45,000 + 60,000)/2 = $52,500.

- Repayment of a spouse’s documented educational debt will decrease the spouse’s income for purposes of the program.

**Assets**
- A contribution to the repayment of educational loans is expected from the applicant’s, spouse’s, and dependent’s net worth (assets, including equity in a house, minus commercial and consumer debts) in excess of $15,000.
- Assets are considered to be cash, savings and checking accounts, as well as stocks, bonds, and trusts in the graduate’s, spouse’s and/or dependent’s name, and the cash value of a graduate’s life insurance policy. In addition, 75% of the graduate’s retirement funds are taken into account.

**Changes in Graduate’s Financial Condition**
- The amount for which a recipient is eligible is based on income, assets, and required monthly loan payments on covered loans (please see Eligible Loans on Page 2). 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.
- Any changes in income, employer or employment status, assets, loan payments or status, or support from any other loan forgiveness program must be communicated to the Financial Aid Office immediately or the graduate risks suspension from the program.

**Selection Criteria**
Applicants with incomes that demonstrate sufficient need 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.

**Tax Implications**
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 your disbursements for taxes, so please plan accordingly.

**How to Estimate Your Eligibility for the Program**
Please note, the actual amount you receive from the program may vary. This calculation is intended only to provide a general understanding of our process. After you submit your application, you will receive a detailed spreadsheet showing our calculation of your eligibility.

1. **Your Income:**
   - Determine your 2019 total gross wages, salary, overtime payments, bonuses, commissions, fees, and housing allowance from all employment.
   - Add any estimated interest and dividend income, alimony, child support, or rental income that will be received or generated in 2019.

2. **Spouse’s Income:**
   - Determine your spouse’s income according to Step 1.
   - Deduct from your spouse’s income his/her required annual educational debt repayment obligations.
   - If your spouse has a higher projected gross income than you (after these deductions) add the two incomes together and divide by two.
   - If your income is greater than your spouse’s, ignore spousal income.

3. **Assets:** Add 12% of the value of your, your spouse’s, and your dependent’s combined assets (as defined in the Asset section on Page 3) over $15,000 to your income calculation from Step 1 or 2, as applicable.

4. Now, subtract required annual debt payments for your educational debt incurred at institution(s) other than Michigan Law.

5. This number is your Annual Available Income (AAI). If your AAI is less than $36,000, your expected annual repayment toward your Eligible Loans is zero. Please note, you will still be expected to cover the portion of your payment for any loans borrowed to cover the expected student contribution during law school, as well as the interest that accrued on all of your loans during law school as detailed on page 2. If your AAI is over $36,000, then you are expected to pay 35% of your AAI over $36,000 towards the payment on your Eligible Loans, in addition to any other payments required as described in the previous sentence.
6. The difference between your loan payment for your Eligible Loans and your expected annual repayment as calculated in Step 5 is an estimate of the amount you may receive from the Debt Management Program.

**PLEASE NOTE:**

We expect that your loans will be placed into the standard repayment period (10 years for federal loans, and 15 - 25 years for private loans). If, however, you choose a longer repayment period, your assistance from the program will be decreased accordingly. Please contact us before changing your repayment term.

**Application**

Applications with all supporting documentation must be submitted by **11:59pm Eastern Time November 1, 2018.** You must submit the online application, and the application must be supported by:

- Your 2017 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.)
- Lender certification form(s) for each of the applicant’s covered loans

**Lenders often take a long time to complete and mail the lender certification form, so please provide the Lender Certification form to your lender(s) as soon as possible. Your application will be deemed on-time, even if we have not received your lender certification form by November 1st, so long as you can provide evidence to our office that you have transmitted the form to your lender by October 15th. Evidence includes fax confirmation, email, receipt of registered mail and the like.**

If the applicant did not, and was not required to, file a 2017 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 2017 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 and lender certification forms, and tax return or affidavit of non-filing) as well as a complete online application must reach the Financial Aid Office or be postmarked by **November 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, consolidated, 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 or spouse’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.

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.

**Forgiveness**
Each year in the program, the participant will receive a zero percent interest loan from Michigan Law for the amount for which he or she is eligible under the program regulations to assist in making his or her required loan payments. This loan will be forgiven at the end of the year unless the participant’s eligibility was reduced during the year and he/she failed to return the excess funds received. Eligibility can be reduced at any time due to changes in the participant’s finances or employment. If the participant 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.

**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.

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.