

**NORTH CAROLINA LEGAL EDUCATION ASSISTANCE FOUNDATION
LOAN REPAYMENT ASSISTANCE PROGRAM**

2009/2010 PROGRAM GUIDELINES

SUMMARY

To encourage and enable law school graduates to enter and remain in public service, NC LEAF sponsors a loan repayment assistance program. The program provides no interest loans to assist participants with law school debt repayment. If a program participant works in public service for more than three years, he or she is eligible for forgiveness of NC LEAF's loans on a schedule described below. To be eligible for consideration for the Program, an Applicant must meet the following requirements:

1. Must have graduated from an ABA accredited law school. In addition, a Participant must be a licensed member in good standing of a state bar.
2. Work full-time in a law-related public service job in North Carolina. Examples of qualifying employment include a federal, state or local government agency, an organization providing legal services to the poor, and a Section 501 (c) (3) nonprofit organization.
3. For attorneys in their first year of practice, have an Eligibility Determination Income as defined under these Guidelines, of no more than \$42,000. For attorneys who have practiced at least one year but have not completed two years of practice, have an Eligibility Determination Income as defined under these Guidelines, of no more than \$46,000. For attorneys who have practiced at least two years, have an Eligibility Determination Income as defined under these Guidelines, of no more than \$51,000.
4. Once accepted into the Program, must not be in default on any loan and must be current and not in forbearance on any law school educational loans.
5. Must use all funds provided by NC LEAF towards repayment of eligible educational loans and pay to his/her lender(s) the additional amount necessary to make the full loan payment (s) obligation each month.

The Board reserves the right to modify the terms of the Program. Eligibility and consideration by the Board does not guarantee that any assistance will be received. All payments by NC LEAF pursuant to this Program are contingent on the availability of sufficient funding to NC LEAF.

I. INTRODUCTION

The North Carolina Legal Education Assistance Foundation (“NC LEAF”) sponsors a loan repayment assistance program (the “Program”) to assist law school graduates who enter public service. The Program’s goal is to help remove the barriers to public interest practice faced by attorneys who have incurred significant debt to finance their law school educations.

II. DEFINITIONS

As used in these Guidelines, these words are defined as follows:

- A. Applicant: A law school graduate who applies to NC LEAF to receive loan repayment assistance funds.
- B. Participant: An attorney who has been selected by NC LEAF to participate in and receive funds through the Loan Repayment Assistance Program set forth in these Guidelines.
- C. Domestic Partner: An Applicant/Participant’s spouse or another person with whom an Applicant/Participant is engaged in a committed relationship.
- D. Dependent Family Member: A domestic partner is a dependent if he or she makes less than half of the Applicant/Participant’s income or has an income of less than \$27,500 per year. A family member other than the domestic partner is a dependent family member if either the Applicant/Participant or the domestic partner provides more than half of his or her financial support.
- E. Salary of an Applicant/Participant: The annual contractual amount an Applicant/Participant earns while engaged in full-time law-related Eligible Employment as these terms are defined in Section III of these Guidelines. If the Applicant/Participant is a state employee and thereby contributes 6% of his or her salary to the state retirement plan, said salary will be reduced by 6% for the purposes of calculating NC LEAF income eligibility. If the Applicant/Participant is not a state employee or the employer does not offer a 401(K), or if Applicant/Participant is ineligible for such a plan, Applicant/Participant may reduce his/her income for NC LEAF eligibility purposes by contributions to an IRA or 401(K) in an amount not to exceed 6% of his/her salary. A state employee’s income may not be reduced by voluntary contributions to a 401(K) or IRA. If an Applicant/Participant must pay out-of-pocket costs for an individual health insurance premium (i.e. his or her employer does not cover health insurance costs for the Applicant/Participant) then the Applicant/Participant’s salary will be reduced by the annual cost he or she pays for health insurance for himself or herself. NOTE: out-of-pocket cost for dependent health insurance will not reduce Applicant/Participant’s salary for NC LEAF income eligibility.
- F. Salary of a Domestic Partner: The annual contractual amount the domestic partner earns while employed including expected bonuses, commissions etc. None of the reductions noted above for Applicant/Participants apply in determining the annual contractual salary of a Domestic Partner.

G. Applicant/Participant's Adjusted Income: Applicant/Participant's salary plus any other income of the Applicant/Participant, reduced by \$5,000 for each dependent minor child and each dependent family member.

H. Joint Adjusted Income: The salary of the Applicant/Participant plus the salary of the domestic partner plus any other income of the Applicant/Participant and the domestic partner, reduced by \$5,000 for each dependent minor child and each dependent family member, and reduced by the domestic partner's annual educational loan payments. Verification of domestic partner's annual educational loan payments will be required.

I. Eligibility Determination Income: The higher of (a) the Applicant/Participant's Adjusted Income, as defined above, or (b) one-half (1/2) the Joint Adjusted Income, as defined above, of the Applicant/Participant and his/her domestic partner.

J. Current: (a) The loan is in a repayment phase, i.e. that the Applicant/Participant is obligated to make installment payments on the loan, and (b) all payments required by the lender have been made and are being made in full and on time.

K. Participant's Minimum Contribution: A participant must contribute a percentage of his or her Eligibility Determination Income towards his or her eligible debt repayment obligation as set out in Section V. of these guidelines.

III. ELIGIBILITY

To be eligible for the Program, an Applicant/Participant must satisfy the following requirements:

A. Law School Graduate: An Applicant must have earned a J.D. from an ABA accredited Law School.

B. Law license: A Participant must be a licensed member in good standing of a state bar. An attorney may apply to the Program while he or she is awaiting results of a bar exam or awaiting the opportunity to take a bar exam, but will not be eligible to participate in the Program until he/she has been licensed by a state bar.

C. Full-time: An Applicant must work or be paid for 35 or more hours per week.

D. Law-related: The nature of the Applicant's work must involve legal problem solving or analysis and must require skills acquired in legal education.

E. Eligible Employment: Eligible Employment is employment in North Carolina with (a) a federal, state, or local government agency, such as a United States Attorney's office or a Public Defender's office; (b) an organization that provides legal services to the poor, such as Legal Services of North Carolina, Inc.; or (c) a 501(c)(3) non-profit organization. A Participant does not become ineligible if he/she leaves one type of Eligible Employment for another.

Note: A judicial clerkship does not qualify as Eligible Employment, but a Participant who enters Eligible Employment after a clerkship may count the time in the clerkship in the forgiveness schedule as described below.

F. Income Guidelines: For an Applicant/Participant in his/her first year of law practice, Eligibility Determination Income as defined in Section II above, must be no more than \$42,000. For an Applicant/Participant who has practiced as a lawyer for at least one year but has not yet completed two years of practice, Eligibility Determination Income as defined in Section II above, must be no more than \$46,000. For an Applicant/Participant who has practiced for at least two years, Eligibility Determination Income as defined in Section II above, must be no more than \$51,000.

G. Eligible Loans: All need-based federal, university and educational loans for law school education are eligible for inclusion in the Program calculations so long as they meet the requirements of the loan repayment status described below and are not eligible for forgiveness or loan repayment assistance through another source. See Section IV. Loans from family members and other personal sources are not eligible. Loan consolidation is not required.

H. Loan Repayment Status: Once accepted into the Program, all law school loans must be in satisfactory repayment status. No loans may be in default. Additionally, all law school educational loans must be current, as defined in Section II of these Guidelines. In the Program Application, Applicant may include loans which are in deferral, but will become current, i.e., enter the repayment stage, during the NC LEAF funding cycle. For such loans, Applicant shall indicate the date that such loans will enter the repayment state. An Applicant making interest-only payments on law school loans must adjust these payments with his or her lender(s) upon admission to the NC LEAF program in order to pay down a portion of the principal.

I. Available Leaves: A Participant on parental or disability leave is considered a full-time employee up to a maximum period of six months. NC LEAF will continue to pay quarterly checks to Participant so long as Participant continues to make payments to lenders. If a Participant loses his/her job, he/she may apply to the Special Circumstances Committee of the Board of Directors of NC LEAF for a grace period before being required to leave the Program, and if applicable, repay the funds not yet forgiven.

J. Transition Phase: When a Program Participant in good standing receives an increase in income such that his/her Eligibility Determination Income (as calculated under these Guidelines) exceeds the Income Guidelines in Section III but is not more than \$53,000, that Participant may either terminate participation in the Program or elect to enter the Transition Phase of the NC LEAF Loan Repayment Program so long as the Participant meets all other requirements and conditions of the Transition Phase. A Participant may receive funds for only one year under the provisions of the Transition Phase.

To qualify for the Transition Phase a Participant must:

1. Satisfy all of the requirements set forth in these Guidelines except the level of Eligibility Determination Income set forth in Section III, Paragraph E.

2. Have an Eligibility Determination Income of not more than \$53,000 and
3. Perform all of the obligations of a Participant as set out in these Guidelines.

During the Transition Phase, a Participant shall contribute 10% of his/her Eligibility Determination Income towards repayment of eligible educational loans. NC LEAF's contribution will be the remainder of eligible debt obligation but not more than \$9,000 per year per Participant, not to exceed that amount Participant was receiving from NC LEAF before he/she entered the Transition Phase.

K. Tracking for Loan Forgiveness Phase: When a Program Participant in good standing receives an increase in income such that his/her Eligibility Determination Income (as calculated under these Guidelines) exceeds the Income Guidelines in Section III for the Transition Phase but the Participant remains in Eligible Employment in North Carolina (as defined under these Guidelines), he/she is eligible for the Tracking for Loan Forgiveness Phase for NC LEAF loans not yet forgiven. See Section VI. Structure of Loan Forgiveness and Repayment. In Tracking, a former Participant's loans from NC LEAF will continue to be forgiven as long as that attorney provides documentation annually to NC LEAF of continuing eligible employment. Should a former Participant leave Eligible Employment in North Carolina before all his/her loans are forgiven, repayment will be triggered for those amounts not yet forgiven according to the terms of the Promissory Notes signed while an active Participant.

IV. COORDINATION WITH OTHER LOAN REPAYMENT ASSISTANCE PROGRAMS

The NC LEAF Loan Repayment Assistance Program requires that each Applicant/Participant pursue and exhaust all other sources of loan repayment assistance, forgiveness and cancellation that are available to that Applicant/Participant. The fact that other assistance is available does not disqualify an Applicant/Participant for NC LEAF assistance. However, once an Applicant is selected as a Participant in the NC LEAF Loan Repayment Assistance Program, the level of assistance NC LEAF provides will be coordinated with that which the individual receives from other sources.

The level of assistance available from NC LEAF for Participants receiving assistance from non-North Carolina loan repayment assistance programs will be based on the Participant's annual debt obligation minus assistance received from the non-North Carolina programs, up to an aggregate of \$9,000 of total annual assistance from all sources.

The level of assistance available from NC LEAF for Participants receiving assistance from North Carolina loan repayment assistance programs (such as North Carolina law schools or programs offered by North Carolina employers) will be based on the Participant's annual debt obligation minus assistance received from North Carolina programs, up to an aggregate of \$12,500 of total annual assistance from NC LEAF and other North Carolina sources.

V. CALCULATION AND PAYMENT OF ASSISTANCE OBLIGATIONS OF THE PARTICIPANT

NC LEAF will provide loan repayment assistance until all Eligible Loans are paid off. A Participant must contribute a percentage of his/her Eligibility Determination Income, calculated as provided in Section III above, towards his/her eligible debt repayment obligation, according to the following formula:

Eligibility Income:	Less than \$27,500	0% required contribution
	\$27,501-\$35,000	2% required contribution
	\$35,001-\$43,000	4% required contribution
	\$43,001-\$51,000	6% required contribution
	\$51,001-\$53,000	10% required contribution (Transition)

NC LEAF will give the Participant the remaining amount needed to meet his/her eligible debt repayment obligation, up to \$9000/year, subject to the requirements of Section IV above. NC LEAF will provide these funds to the Participant on a quarterly basis.

Graduates from out-of-state law schools who are accepted as NC LEAF Participants must pay each year 10% of the total annual assistance received from NC LEAF as an administrative cost. NC LEAF hopes that these Participants will obtain these funds from their respective law schools and will assist in this process by sending information to the appropriate administrators identified by the Participant. However, the burden is on the Participant to obtain this fee, and it is up to the Participant to pay the required cost, if his or her law school does not.

It is understood that all of the North Carolina law schools will subsidize their graduates applying to NC LEAF for assistance by contributing 10% of the total award made by NC LEAF to that North Carolina law school's graduates in the prior funding cycle. However, should a North Carolina law school NOT make their proportionate contribution, NC LEAF reserves the right to require graduates from that school who are accepted into the NC LEAF program to pay the same administrative fee as graduates from out of state, i.e. 10% of the annual award.

It is the responsibility of the Applicant/Participant to keep all loans current by payment of the required amounts in full and on time in order to continue participation in the Program. An Applicant may apply to the Special Circumstances Committee of the NC LEAF Board of Directors in the event that he/she is behind in his/her loan payments before entering the Program. Further, should a Participant experience exceptional circumstances that prevent him/her from making loan payments on time and in full, the Participant must notify the NC LEAF staff. The matter will be referred to the Special Circumstances Committee of the NC LEAF Board of Directors.

Throughout the year, NC LEAF will verify on a regular basis certain employment and loan information to determine Applicant/Participant's continued eligibility. To continue to receive NC LEAF funding, a Participant must provide, in a timely manner, appropriate signed documents to enable NC

LEAF to verify continued Full-time, Law-related, Eligible Employment, qualifying salary and income under these Guidelines, and appropriate loan repayment status for the Applicant/Participant and his/her domestic partner, if applicable. In addition, Participant must assist NC LEAF in obtaining the above information should the employer, lender, or other source of information so require. This includes providing NC LEAF with Participant's log-in information for his or her lender so that NC LEAF staff may access Participant's loan payment history online, if such information is available in this format, in order to verify that loans are current. The Applicant/Participant shall notify NC LEAF within 30 days of any changes during the year in financial, employment, and/or loan or debt repayment information for the Participant and/or his/her domestic partner. In order to remain in the Program, every year each Participant shall also provide updated information, signed documents of the nature described above, a copy of his/her tax return and a copy of his/her domestic partner's tax return from the preceding year.

The level of assistance will be calculated once each year prior to the beginning of the new NC LEAF funding year October 1st based on the then-current information. A Memorandum of Understanding and Promissory Note will be issued, the terms of which are incorporated by reference herein. This annual assistance will be divided and distributed to the Participant in quarterly installments, except as provided below. Assistance will be recalculated or eliminated during the funding cycle in the following situations:

1. Participant leaves Eligible Employment (immediately disqualifies Participant from receiving further payments. This may trigger an immediate obligation for repayment to NC LEAF of any assistance provided by NC LEAF. See Structure of the Program, Section VI. below)
2. Participant's loans are not current (disqualifies or suspends qualification for participation in Program depending on the determination of the Special Circumstances Committee of the NC LEAF Board of Directors.) This may trigger an immediate obligation for repayment to NC LEAF of any assistance provided by NC LEAF.
3. Participant's loan payments change significantly, e.g., due to renegotiation or consolidation. (Significant changes in Participant's obligation to his/her lender(s) may cause recalculation of payments from NC LEAF; minor changes, e.g., those due to small changes in interest rates on an adjustable rate loan usually will not cause recalculation of payments for the present funding cycle.) This may trigger an immediate obligation for repayment to NC LEAF of any assistance provided by NC LEAF.
4. Eligible loan is paid off. (If Participant has remaining eligible loan(s) for which payments are still due, payment to Participant will be recalculated based on those remaining loans. If all eligible loan(s) are paid off, Participant shall no longer receive assistance from NC LEAF.)
5. Participant's Eligibility Determination Income, as defined in Section II, increases significantly and Participant's Eligibility Determination Income is still below the applicable Income Guidelines set forth in Section III (F), above. If the Participant's Eligibility Determination Income is above the applicable Income Guidelines set forth in Section III (F), there may be an immediate obligation for repayment to NC LEAF of any assistance provided by NC LEAF.

6. Failure to notify the NC LEAF office within 30 days of changes in salary, employment or loan status shall result in termination from the program and could require an immediate obligation for repayment to NC LEAF of any assistance provided by NC LEAF.

Each Applicant/Participant shall read, sign and return to NC LEAF a copy of the Program Guidelines as part of the application process described in Section VIII and thereafter as requested to do so by NC LEAF, as set forth in the final paragraph of these Guidelines.

VI. STRUCTURE OF LOAN FORGIVENESS AND REPAYMENT

Loan Forgiveness Schedule

Years of Eligible Employment Completed	NC LEAF Funds Forgiven
1	none
2	none
3	Year 3
4	Year 2 and Year 4
5	Year 1 and Year 5

Year 6 and beyond will be forgiven at the end of each quarter of completed employment. Loan forgiveness letters will be sent annually. For Years 1 through 3 of Eligible Employment, NC LEAF will lend its contribution to the Participant at no interest. If the Participant remains in Eligible Employment through the end of Year 3, the loans extended under the Program will begin to be forgiven. The table above shows the schedule of forgiveness of the Program's loans. At the end of year 4, loans received in years 2 and 4 will be forgiven. If the Participant remains in Eligible Employment through the end of year 5, all of the Participant's loans will be forgiven. If the Participant leaves Eligible Employment before the end of Year 5 or is determined to be otherwise ineligible to remain in the Program, the loans not yet forgiven are repayable according to the terms of the Promissory Note, incorporated by reference into these Program Guidelines.

Assistance given to the Participant after completion of year 5 of Eligible Employment will be forgiven on a quarterly basis. If a Participant in this phase leaves Eligible Employment before the end of a three-month payment cycle or is determined to be otherwise ineligible to remain in the Program, the Participant will be required to repay a proportional amount of that cycle's assistance. Thus if in Year 7 the Participant leaves Eligible Employment after one month of a three month payment cycle, the Participant must repay two-thirds (two months out of three months) of that cycle's assistance.

A Participant who enters the Program after at least three years in Eligible Employment qualifies immediately for the forgiveness phase.

TAXABILITY

NC LEAF has attempted to design this Loan Repayment Assistance Program to provide maximum potential tax benefits to Participants under federal tax laws. We believe we have structured this program so that the loan amounts forgiven by NC LEAF are not considered taxable income to Program Participants, and thus do not have to be reported as such. The Internal Revenue Service recently issued Revenue Ruling 2008-34 that LRAP programs structured as forgivable loans do not create taxable income for the recipient when the loans are forgiven. Each Participant remains responsible for any positions taken on his/her own federal income tax returns, and NC LEAF cannot give any Participant legal advice as to whether forgiven NC LEAF loans must be treated as taxable income.

For a full text of the IRS ruling visit: www.irs.gov/pub/irs-drop/rr-08-34.pdf

JUDICIAL CLERKSHIPS

Judicial clerks do not qualify for loan repayment assistance. However, if an individual enters Eligible Employment after a judicial clerkship in North Carolina and is accepted into the Program, that individual will receive credit, for purposes of the loan forgiveness schedule, for time spent in the clerkship.

SPONSORSHIPS

NC LEAF relies on sponsorships by law firms and other entities as part of its funding sources. Any sponsor that provides more than \$25,000 per year in funding to NC LEAF or sponsors more than 10 Participants per year may ask NC LEAF to fund specific Participants in Eligible Employment and may further request that NC LEAF modify or waive the Eligibility Income guidelines for, and the calculation of the personal contribution (Participant Minimum Contribution) by those specific Participants. NC LEAF maintains the discretion to accept or reject any such request. Any Participant impacted by any such modification or waiver of Eligibility Income or Participant Minimum Contribution guidelines must meet all other eligibility requirements and abide by all other aspects of the Guidelines.

VII. ADMINISTRATION

The Board of Directors of NC LEAF will oversee the operation of the Program and reserves the right to modify the terms of the program. The Board retains complete discretion in any particular year to determine which Applicants are to receive priority for assistance. Eligibility and consideration by the Board does not guarantee that assistance will be received. In selecting Participants, the Board may consider, but is not limited to, the following factors: salary, Eligibility Determination Income, debt level, net worth, type of employment, location of employment (rural/urban and mountains/piedmont/coast), law school attended, and any special circumstances, such as financial responsibility for aging parents.

In addition to the factors listed above, in selecting Participants the board has established the following preferences for distributing funds:

1. Graduates of North Carolina law schools
2. Graduates of out-of state law schools who are originally from North Carolina
3. All others

Once an attorney has been admitted to the Program, he or she may requalify through the Update process each year for continued assistance. Although the Program will attempt to maintain payments to Program Participants who remain eligible once they have begun, prior receipt of assistance does not constitute a legal entitlement to future assistance. The Board reserves the right to modify the terms of the Program. Applicants must understand that the Program's existence depends on continued and sufficient availability of funding.

VIII. APPLICATION PROCEDURES

Applicants must submit an Application. Current Participants who wish to continue in the Program must submit an Update with related required forms annually. There will be a deadline for the Application or Update. It is the applicant's responsibility to submit a completed Application, including current Employment Certification(s) and Lender Verifications(s), a signed copy of these Guidelines, and other signed attachments that may be required by NC LEAF. The Board of Directors will not consider incomplete or late applications. Applications should be mailed to NC LEAF, 3948 Browning Place, Suite 334; Raleigh, NC 27609. Questions about the Application, the Update, or the Program should be directed to the Executive Director at the above address, by email to info@ncleaf.org or by phone to (919) 845-6089 or fax (919) 848-9259.

I, _____, acknowledge that I have read the foregoing Program Guidelines and agree that any assistance that I receive from NC LEAF is subject to, and governed by, these Guidelines. I understand that these Guidelines may be modified in the future, and that if they are, I will be asked to acknowledge the existence of such modified Program Guidelines and that my receipt of further assistance from NC LEAF will be subject to, and governed by, such modified Program Guidelines to the extent they conflict with the foregoing Program Guidelines.

Signature (SEAL)

Date