

Cornell Law School Public Interest Low Income Protection Plan

February, 2004

INTRODUCTION

A large number of Cornell Law School students graduate with high educational debts. Many feel that they must obtain the most lucrative employment possible in order to repay their educational loans. In an attempt to help those law students who want to obtain employment in public service or public interest law jobs, Cornell Law School has established a low income protection plan for graduates who take low income public interest law jobs. Qualifying graduates will be expected to apply only a certain percentage of their annual incomes to repay law school educational loans. The law school will provide assistance to be used in the repayment of eligible educational loans during each year a graduate is in the program.

QUALIFYING EMPLOYMENT

The plan will cover law school graduates who have clear law school honor-code records, are members in good standing with the relevant Bar authorities, and are working in the public interest area. Full-time permanent employment requiring a J.D. degree will be covered; half-time employment may be covered on a pro-rata basis. Jobs with federal, state or local governments, qualified not-for-profits, including legal services programs, as well as at legal aid, prosecutors, and public defenders offices will qualify under the plan; jobs with private law firms generally will not qualify. A student will qualify on a deferred basis if she engages in a post-graduate judicial clerkship or other non-qualifying employment, and subsequently engages in qualifying public interest employment.

LOANS COVERED

The plan will cover all **eligible** loans. Eligible loans are defined as all loans taken to cover the annual law school budget (cost of tuition, books, living expenses, etc.) as determined each year by the Financial Aid Office. Bar study loans are also considered eligible loans. Loans taken to cover the expenses of a public interest job search will be covered, not to exceed \$2,500 each year for the second and third years of law school. The program does not cover private loans from friends and family.

CALCULATING ANNUAL AWARDS

Qualified participants contribute an amount of money towards their loan payments determined by a formula, and Cornell Law School contributes the balance. A four-part formula is used to determine the participant's contribution. First, the participant's gross annual income figure is determined. Next, this figure is adjusted for the cost of living by subtracting a Standard Maintenance Allowance (SMA). Third, appropriate deductions are made to determine net income. Finally, the participant's contribution to his or her loan payments is determined to be 50% of net income. Note that this formula is based on the dynamic relationship between income, geographic location and level of educational debt. No predetermined salary cap is imposed.

Determining Gross Annual Income: Recognizing the potential significance of a participant's non-law school educational debt, as well as the significance of the income and educational debt of a participant's spouse, a participant's gross annual income is determined to be the greater of 1) the participant's annual income minus the participant's annual non-law school educational debt payments; or 2) $\frac{1}{2}$ (annual joint income of the participant and his/her spouse minus annual joint educational debt payments). Only Federal or institutional loans will be considered in this calculation. Participants should not include law school debt in this calculation.

Standard Maintenance Allowance (SMA): Recognizing that the cost of living varies depending upon geographic location, the SMA will vary depending upon geographic location as well. The base SMA for 2002 is \$30,000. Percentage increases for "high cost" areas will be added to this base SMA; these percentages are calculated using a formula from the U.S. Office of Personnel Management. For instance, the increase for New York City is 15.23%, so the SMA for New York City is $\$30,000 + \$4,569 = \$34,569$. The base SMA and percentage increases will be adjusted periodically to reflect inflation or other factors.

Deductions: In determining annual adjusted gross income, a \$5,000 deduction will be allowed for each minor dependent child. Additionally, participants may deduct from gross income any unreimbursed medical expenses deductible on Schedule A of the federal income tax form.

Example 1:

Single graduate; \$48,000.00 salary in New York City; eligible law school loans equal \$800.00/month, or \$9,600.00; undergraduate loan payments equal \$250.00/month, or \$3,000.00:

48,000.00	annual income
<u>- 3,000.00</u>	non-law school annual education debt payments
45,000.00	
<u>-34,569.00</u>	New York City Standard Maintenance Allowance (\$30,000 + \$4,569 (15.23%))
\$10,431.00	adjusted gross annual income

9,600.00 annual law school debt payment
- 5,215.00 participant's expected annual contribution towards debt payment (\$10,431 x 50%)
\$ 4,385.00 PILIPP grant

Example 2:

Married graduate; \$32,000.00 salary in New York City; eligible law school loans equal \$700.00/month, or \$8,400.00; undergraduate loan payments equal \$100.00/month, or \$1,200.00; spouse's salary is \$45,000.00; spouse's undergraduate loan payments equal \$300.00/month, or \$3,600.00:

Gross annual income is the greater of:

32,000.00 participant's annual income
- 1,200.00 participant's annual non-law school educational debts
\$30,800.00

and

77,000.00 annual joint income of participant and spouse
- 4,800.00 annual joint educational debt payments (not including participant's law school debt)
72,200.00
x 50%
\$36,100.00 is greater than \$30,800.00; therefore, the PILIPP grant calculation is as follows:

\$36,100.00 gross annual income
- 32,856.00 Pittsburgh, PA Standard Maintenance Allowance (\$30,000 + 9.52%)
\$ 3,244.00 adjusted gross income

\$ 8,400.00 annual law school debt payment
- 1,622.00 participant's expected annual contribution towards debt payment (\$3,244 x 50%)
\$ 6,778.00 PILIPP grant

NATURE OF THE AWARD

The Law School's contribution will be made in the form of a loan to the participant that is disbursed at the beginning of the year and forgiven at the end of the year. Assistance under this plan may be non-taxable under 26 U.S.C. 108(f) for participants who work for government entities or 501(c)(3) not-for-profit organizations. However, the Law School is not in a position to give individual advice on these matters; participants should seek their own professional

advice.

ADMINISTRATION OF THE PROGRAM

The program will be administered by the Dean or his or her designates. He or she may be assisted by an advisory committee appointed by the dean and composed of students, faculty and administrators. The advisory committee may advise on key policy questions bearing on the program's evolution, as well as individual eligibility. Revisions to this program were implemented assuming a predictable level of participation. Because funding is limited, full awards are not guaranteed for all applicants and certain features of the program may change over time to reflect the impact of the school's experience with the program.

Program qualification and fund distribution will be coordinated by the Financial Aid Office, and applicants should contact Mrs. Jane Deathe of the Law School Financial Aid Office.

Cornell Law School graduates may apply for this program at any point in their career. Graduates must complete applications for participation in the program by no later than January 1. Applications completed after January 1st will not be eligible for consideration. Applicants should submit the following to the Law School Financial Aid Office: 1) An itemized statement of all anticipated sources of income from January 1 - December 30 for the year in which assistance is sought; 2) An itemized statement of all relevant educational debts of both borrower and spouse (excluding amounts owed to family, relatives and friends), and the expected monthly repayments on these debts. Debts incurred to finance the Cornell Law School education must be clearly distinguished from other debts; 3) A descriptive statement of the job held by the graduate including salary and start date; and 4) A certified copy of the graduate's and spouse's federal income tax return for the preceding calendar year.

If examination of the tax form, or other information provided indicates possession of significant assets, further information, and a higher contribution, may be required. Award audits will be conducted periodically and could result in adjustments to future awards and/or repayment requirements for participants.

(Revisions February, 2004)

Appendix

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT LOCALITY ADJUSTMENTS

Atlanta, GA - 9.74%
Boston-Worcester-Lawrence, MA-NH-ME-CT-RI - 13.57%
Chicago-Gary-Kenosha, IL-IN-WI - 14.58%
Cincinnati-Hamilton, OH-KY-IN - 12.09%
Cleveland-Akron, OH - 10.33%
Columbus, OH - 10.70%
Dallas-Fort Worth, TX - 10.90%
Dayton-Springfield, OH - 9.62%
Denver-Boulder-Greeley, CO - 13.34%
Detroit-Ann Arbor-Flint, MI - 14.71%
Hartford, CT (including all of New London County) - 14.11%
Houston-Galveston-Brazoria, TX - 18.61%
Huntsville, AL - 9.08%
Indianapolis, IN - 8.85%
Kansas City, MO-KS - 9.28%
Los Angeles-Riverside-Orange County, CA (Including Santa Barbara County) - 16.05%
Miami-Fort Lauderdale, FL - 12.45%
Milwaukee-Racine, WI - 10.05%
Minneapolis-St. Paul, MN-WI - 11.56%
New York-Northern NJ-Long Island, NY-NJ-CT-PA - 15.23%
Orlando, FL - 8.67%
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD - 12.11%
Pittsburgh, PA - 9.52%
Portland-Salem, OR-WA - 11.64%
Richmond-Petersburg, VA - 9.67%
Sacramento-Yolo, CA - 11.99%
St. Louis, MO-IL - 8.98%
San Diego, CA - 12.70%
San Francisco-Oakland-San Jose, CA - 19.04%
Seattle-Tacoma-Bremerton, WA - 11.77%
Washington-Baltimore, DC-MD-VA-WV - 11.48%
Rest of U.S. - 8.64%