

# THE MONTANA JUSTICE FOUNDATION

## Loan Repayment Assistance Program (LRAP) Program Description<sup>1</sup>

### ***Overview:***

The Montana Justice Foundation is a non-profit organization which supports programs that promote access to justice in Montana. The Foundation's Loan Repayment Assistance Program was established in January 2006 as a statewide loan repayment assistance program for law school graduates employed in non-profit organizations dedicated to serving the legal needs of low-income individuals and families in Montana. This program is designed to support the recruitment and retention of qualified staff attorneys who have incurred significant debt to finance their law school educations so they can work in legal aid programs for the poor.

### ***1. Term of Assistance***

The program will provide a maximum of five years of benefits. The five year maximum may be waived at the discretion of the Grants Committee. Continued benefits are subject to the availability and allocation of future funding for this program by the Foundation. Participants enroll in the program for one-year increments, and may reapply annually subject to continued eligible employment and bar admission status.

### ***2. Assistance***

A maximum loan amount of \$2,500 per year (or \$1,250 semi-annually) may be awarded to each approved applicant, to be distributed in equal increments in two (2) six-month intervals.<sup>2</sup> If the number of qualified applicants exceeds the pool of resources available for loan forgiveness, the MJF Board of Directors maintains ultimate discretion in how funds will be allocated.

### ***3. Nature of Benefits***

Benefits will be distributed in the form of a one-year loan which will be forgiven annually at the end of that year provided the staff attorney remains employed on a full time basis (35+ hour/week). Benefits are designed to be non-taxable under federal law by making the loan forgivable at the end of the loan year and having the Foundation, not the participant's employer, administer the benefits. Loan amounts shall be disbursed semi-annually in April and November, (See footnote 1). The loan shall be evidenced by a promissory note in a form required by the Foundation executed by the borrower (participant) and shall bear interest at a rate of 1% above the short-term applicable federal rate under Section 1274(d) of the U.S. Internal Revenue Code of 1986, as amended.

### ***4. Eligibility Standards***

Applicants and participants must meet the following eligibility standards:

- a. Applicants must be employed on a full-time basis with an approved non-profit organization dedicated to serving the legal needs of low-income individuals and families in Montana. The following organizations have been approved by the

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<sup>1</sup> As amended May 4, 2012.

<sup>2</sup> If the recipient is otherwise eligible under the program, but is in a situation where the interest is being paid by another party, and the lender does not allow the MJF loan to be applied to the principal of the loan then a single disbursement will be made at the end of the term.

Foundation. Other organizations may apply for approval to the MJF Board of Directors.

- Custer Network Against Domestic Abuse and Sexual Assault
- Dawson County Domestic Violence Program
- Montana Legal Services Association (MLSA)
- Montana Supreme Court Office of the Court Administrator
- People's Law Center
- Richland County Coalition Against Domestic Violence & Sexual Assault
- SAFE Harbor / Domestic Violence Education & Services (DOVES) of Lake County
- Sanders County Coalition for Families

b. The applicant's qualifying income may be considered by the MJF as a factor for determining the applicant's level of need for assistance. Qualifying income is defined as all income, including anticipated annual gross salary, minus \$5,000 per dependent or amount of child support paid.

c. Applicants are eligible to apply for LRAP assistance upon their date of hire with a qualifying organization.

d. Admission to the State Bar of Montana by the end of the first year after having been selected as a participant. Applicants must provide said proof of admission either at the time of application or upon knowledge of admission if not already a member.

### ***5. Selection of Participants***

The Foundation will select participants to this program through a process of program nominations by qualifying organizations to the MJF LRAP Committee. The MJF Board of Directors will ultimately be responsible for final selection decisions.

Thus, qualifying non-profit organizations with multiple attorneys applying for LRAP assistance shall designate one individual to act on behalf of the applicants to work with the Foundation. In such circumstances, MJF should receive one set of applications from the organization (on behalf of the applicants), not separate applications from each individual applicant.

### ***6. Selection Guidelines***

In making, reviewing and selecting nominations and final selections, the MJF Grants Committee and MJF Board of Directors shall be guided by the following selection guidelines: a) demonstration by the applicant of a record of high quality effective representation of the poor; b) demonstration by the applicant of a strong work ethic; c) applicant's continuing commitment to address the legal needs of the poor; d) demonstration by the applicant of a self motivated effort to develop professional skills and capabilities for the benefit of the poor; e) program confirmation of the applicant's demonstration of factors a), b), c) and d) above; f) relative need among applicants; g) the need for diversity among staff attorneys in legal services in Montana; h) the need, over a period of time, to provide highly qualified applicants from all programs to participate; and i) program and applicant commitment to and engagement in state access to justice issues.

If necessary, the MJF LRAP Committee may call on executive leadership from qualifying organizations to discuss an applicant's qualifications with respect to the above-stated selection guidelines.

### ***7. Timing of Selection, Payments and Forgiveness***

Selection of participants will occur in February and August of each year. Loan disbursements will be made semi-annually in March and October. Loan forgiveness will occur one year following the initial disbursement.

### ***8. Debt Eligibility***

The LRAP program covers only law school needs-based government or private loans, such as GSL, Law School Access (LAL), Law Loans and National Direct Student Loans (NDSL or Perkins Loans), as well as university or other private institutional loans associated with law school debt. Family and personal loans are excluded. Also excluded are loans for other educational purposes, including undergraduate loans. An annual debt payment load of at least \$1,800 will be an eligibility requirement.

### ***9. Documentation***

Each loan shall be documented by means of a promissory note executed by the borrower in a form provided by MJF.

Within thirty days after the end of a six-month interval, each borrower who received funds for the preceding six-month period shall provide the Foundation (through his/her organizational contact person, if applicable) documentation of the application of loan proceeds for the preceding six months, in the form of cancelled checks, loan statements or equivalent documentation acceptable to MJF. All amounts not appropriately documented shall become immediately due and payable.

### ***10. Funding the Program***

Initial estimates indicate seventy (70%) of the budget will be awarded in the first funding cycle of the program year. Thus, thirty (30%) of the program budget will be available for the second funding cycle. Continued operation and funding allocations are contingent on available funding. The Montana Justice Foundation plans to engage private contributors and the UM School of Law for support of this program.

### ***11. Federal Income Tax Liability***

The Foundation attempted to design this program to provide the maximum potential tax benefits to participants under changes in 1997 to Section 108(f) of the Internal Revenue Code. The Foundation believes it has structured its LRAP program so that the loan amounts forgiven by the Foundation are not considered taxable income to the recipient, and thus do not have to be reported as such. However, because the law has so recently changed, there is very little authoritative legal guidance to determine with certainty the proper tax treatment of this structure. LRAP participants remain solely responsible for any federal, state or local income tax liability s/he may incur because of the forgiveness of the Foundation loan.

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