

# THE MONTANA JUSTICE FOUNDATION

## Loan Repayment Assistance Program (LRAP) Program Description

Revised June 2019

### ***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***

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>1</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 following review and approval by the MJF Board of Directors (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> 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
- Richland County Coalition Against Domestic Violence & Sexual Assault
- SAFE Harbor / Domestic Violence Education & Services (DOVES) of Lake County
- Sanders County Coalition for Families
- YWCA Billings

b. The applicant's income may be considered by the MJF as a factor for determining the applicant's level of need for assistance.

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 notify all qualifying organizations and current LRAP recipients of program availability and deadlines for application. Following the MJF Grants Committee review of the applications, the MJF Board of Directors will ultimately be responsible for final selection decisions.

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

In making, reviewing, and selecting recipients, the MJF Grants Committee and MJF Board of Directors may consider the following selection guidelines: a) demonstration by the applicant of a record of high quality effective representation of the poor and continuing commitment to address the legal needs of the poor; b) program confirmation of the applicant's qualifications; c) the applicant's income and amount of law school loan debt; d) other loan repayment assistance received by the applicant; e) the need for diversity among staff attorneys in legal services in Montana; f) the need, over a period of time, to provide highly qualified applicants from all programs to participate; and g) 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 June and December of each year. Loan disbursements will be made semi-annually in July and January. 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. Applicants must disclose other loan repayment assistance received. An annual debt payment load equal to or greater than the award amount 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***

The MJF Grants Committee shall allocate the annual LRAP awards budget between the two funding cycles of each program year based on previous award history and the number of actual and anticipated applicants per cycle. Continued operation and funding allocations are contingent on available funding.

### ***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 they may incur because of the forgiveness of the Foundation loan.

For more information, contact the Executive Director at (406) 523-3920 or [mjf@mtjustice.org](mailto:mjf@mtjustice.org).