

**LOW INCOME PROTECTION PLAN**  
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***2017-2018 LIPP Program Guidelines***

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Many Harvard Law School graduates devote their careers to public service work as government attorneys, human rights activists, champions of civil rights, and advocates for traditionally underserved populations. Given a significant educational debt burden, such careers might not be feasible without loan repayment assistance. Harvard's Low Income Protection Plan (LIPP) was the first law school program to address this problem and remains one of the most comprehensive programs of its kind. The mission of LIPP is to enable Harvard Law School JD graduates to pursue a broad range of relatively lower income employment options while maintaining the ability to repay their educational loans. Through LIPP, Harvard Law School is committed to preserving freedom of job choice within the legal profession for its graduates.

LIPP considers student loan repayment to be the financial priority of participants. The plan helps graduates achieve this priority by relieving the burden of education loan repayment for J.D. graduates in full-time government, public sector, or academic jobs. In addition, full-time law-related jobs in the private sector are also covered under LIPP. LIPP participants pay a limited portion of their annual income towards their annual loan repayment obligations, and LIPP then covers the remainder of their LIPP-eligible loan payments.

Graduates may enter LIPP at any time after graduation if their job, debt, and income qualify; however, please note that LIPP assistance is not retroactive nor is it available for past-due loans or loans without a payment due such as loans that are in their grace period, forbearance or deferment. We encourage all students to become familiar with the LIPP guidelines as they begin to explore their legal careers. The LIPP staff is available to counsel students and graduates about the program and other aspects of debt management.

**Eligible Jobs**

LIPP is available for Harvard Law School JD Program graduates who work in any full-time job for a government, public sector, or academic organization (nonprofit only) in the USA, or in an overseas equivalent. Jobs in the private sector can also qualify for LIPP, but must be law-related. LIPP coverage is not available for periods of unemployment or volunteer employment. Participants are eligible for a total of 8 weeks of LIPP assistance for periods of transition between two LIPP-eligible positions during their entire time in LIPP; the assistance provided during the transition is calculated using the higher of the two incomes surrounding the break in employment. If a participant exhausts his or her transition eligibility or has a break in employment longer than 8 weeks, the participant can consider using forbearance to suspend required loan payments during that time. Current LIPP participants should discuss their options with LIPP staff before making changes to their loan payments.

To be eligible for assistance the participant's employment must be full-time and compensated at a fair rate. For those participants with domestic employment we use federal minimum wage as a minimal standard and for international placements we expect the compensation to meet similar local standards. LIPP considers full-time to be defined by the agency of employment with a minimum requirement of 35 hours per week. Coverage is available for individuals during periods of parental leave from a LIPP eligible position and participants working part-time in order to care for a child not yet of age to enter ninth grade.

"Law related" is defined as follows: (1) the distinctive intellectual skills acquired in a legal education are generally recognized as useful in the job; **and** (2) of those who hold this position, it is not unusual for them to be members of the legal profession. A legal education is a strong foundation for many different career paths. However, to be LIPP-eligible a position in the private sector must rely primarily on the skills acquired in pursuit of a JD; a position or

enterprise which may require a graduate-level degree (such as an MBA or PhD) but not specifically a JD has typically not met the law-relatedness requirement. Graduates are encouraged to submit a formal job description to the LIPP staff if unsure whether a prospective job in the private sector would meet the law-relatedness requirement.

Graduates who start their own practice or are otherwise self-employed should consult with the LIPP staff about their situation and review the law-relatedness requirement for individuals working in the private sector. In general, LIPP assistance is not available during a business start-up period and the graduate is advised to pursue loan forbearance from each lender. Once a business tax return and/or schedule C are filed the graduate may apply for LIPP. LIPP awards for self-employed participants are generally based on estimates of future income. To create the initial award we will use reported income and expenses from the preceding six months as well estimates of income and expenses for the next six months. A maximum of 25% of income will be allowed as expenses. Estimated LIPP awards are always verified and adjusted retroactively if necessary, once actual earnings can be documented from tax returns.

Students and alumni who are unsure as to whether their planned employment will meet these criteria should consult with LIPP staff in advance. Graduates should not rely on LIPP support until they have applied for LIPP and received approval for LIPP participation from the Financial Aid Committee. LIPP coverage is not available for periods of unemployment, volunteer employment, or any leaves of absence (medical, disability, etc.) other than parental leave.

### **Eligible Borrowing**

Eligible loans include all law school education loans certified by HLS Student Financial Services, up to the standard student financial aid budget, minus the imputed *LIPP* student contribution and any HLS Grant assistance. Please note, the LIPP student contribution may be different from the financial aid student contribution. Students who worked full-time between college and law-school will receive \$10,000 of asset protection per year worked factored into the calculation of the LIPP student contribution. In addition, up to \$2,000 in borrowing for the purchase of a computer and up to \$10,000 in borrowing for bar-related expenses are LIPP eligible. Up to \$30,000 of combined undergraduate debt and debt incurred while pursuing a joint degree with another Harvard graduate school is also eligible for LIPP coverage.

LIPP assistance is not available for loans from family and friends, for personal loans from banks or other sources, or for other graduate school debt. Loans taken out to replace the LIPP student contribution are not eligible for LIPP. Borrowing for living expenses above the standard financial aid budget is also not eligible. For married students, the spouse's contribution is considered part of the student contribution.

There is no retroactive LIPP assistance and no LIPP assistance available for periods of loan forbearance, deferment or during grace periods. Interest accrued due to forbearance, deferment (except while enrolled at HLS), significantly extended repayment terms (i.e. interest only plans), or other periods of non-payment, and penalties for late payment or default on education loans are not eligible for LIPP coverage. In order to remain eligible for LIPP, graduates must provide proof of good standing from the servicers of all applicable loans, including undergraduate/joint degree loans, and may not have an outstanding term bill balance with Harvard University. LIPP assistance is solely and specifically intended to be used to repay eligible education loans.

### **Application Process and the Tax Implications of LIPP Assistance**

Current participants must file a new LIPP application in May of each year, and a mid-year update in November. LIPP assistance is provided twice annually, with each award cycle covering the participant's expected eligibility for the upcoming six months. Graduates can enter LIPP at any time; pro-rated assistance is available for those who begin qualifying jobs partway through a six-month award period. Because LIPP assistance is awarded on a forward scale, participants must report changes in income, job, or other financial circumstances promptly; LIPP awards will be adjusted accordingly and any over-awarded funds must be repaid.

LIPP assistance is not considered taxable income if the participant works for a government agency or a 501(c)(3) nonprofit organization and receives the repayment assistance in the form of a loan that is later forgiven. For this reason, recipients of non-taxable LIPP awards must sign a promissory note for the amount of any LIPP assistance. These LIPP loans are then forgiven in the following year provided the graduate has complied with the rules of the program. The LIPP loan promissory notes will then be voided and can be returned to the graduate upon request.

For graduates working in LIPP-eligible jobs in the private sector, at organizations without 501(c)(3) status, or within Harvard University, LIPP assistance is reported to the IRS as “other income” for the tax year in which it was received and a 1099-MISC is issued. In those instances, the LIPP award includes an additional 25% allowance toward the tax liability and the LIPP assistance is not awarded as a loan.

The IRS has indicated in Publication 970 that interest payments do not qualify for the student loan interest deduction if “you are not legally obligated to make payments on the loan.” This appears (based on the examples in Publication 970) to include payments made with assistance from others. You should consult a tax adviser to determine what portion, if any, of your annual student loan interest is deductible if you receive LIPP assistance.

### Income Levels

Participants allocate, according to the following "Expected Contribution" chart, a limited percentage of their earnings toward their total annual education loan repayment. LIPP covers any difference between the graduate's total eligible law school debt payments due in that year and their expected contribution toward eligible loan payments.

LIPP policy requires consideration of income from all sources, both taxable and non-taxable, when calculating the Participant Contribution. This includes income from all employment, housing allowances, living allowances, subsistence allowances, bonuses, royalties, settlements from clients, deferred compensation, alimony, child support, public assistance, rental income and gifts from family members or others. In regards to bonuses and settlements from clients, the gross amount is added to the annual income of the participant and used to calculate the LIPP income for the six months following its disbursement.

For those participants who are paid via an hourly wage and who do not receive paid vacations, such as temporary workers, we use a 48-week year to determine an annual income. We do this to account for the two weeks of holidays businesses are generally closed and to allow for a reasonable two weeks of vacation per year.

When calculating a participant’s LIPP income, we also include several allowances. These allowances include dependent care costs and in some cases, such as self-employment, out-of-pocket health insurance expenses. Additionally, we apply a Longevity Allowance to recognize longer-term participants. The Longevity Allowance begins in the fifth year of program participation, at which point participants will receive a \$5,000 allowance deducted from their incomes. In the sixth year participants then receive a \$6,000 allowance, and so forth.

#### 2017-18 LIPP Expected Contribution toward Eligible Loans

<u>Gross Annual Income</u>	<u>Portion of annual income graduate pays toward eligible loans before qualifying for LIPP Assistance*</u>
\$47,000 or less	None
\$47,001 - \$53,000	20% of amount over \$47,000
\$53,001 - \$125,000	\$1,200 + 40% of amount over \$53,000
\$125,001 and above	\$30,000 + 80% of amount over \$125,000

*\* The expected contribution cannot be applied to LIPP-ineligible loan payments.*

See the last page of these guidelines for a chart of expected annual and monthly contributions for incomes up to \$110,000. Please note that LIPP has no fixed income ceiling; an individual graduate’s maximum LIPP-qualifying income is determined by that graduate’s level of eligible debt.

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### **Marriage, Dependents and Parental Leave**

Graduates who are in marriages recognized by the US Federal Government will be evaluated on the basis of either (1) their own income (if their spouse makes less than they do), or (2) half of their joint income (if their spouse makes more than they do). Prior to determining the joint income any annual educational loan payments that the spouse is required to make will be deducted from the spouse's salary. The assets of both the graduate and his or her spouse are considered when calculating eligibility; however, the protected asset amount of a married LIPP participant is doubled to account for the possibility of additional assets from a spouse.

If HLS graduates are married to each other and would qualify for LIPP based on their individual finances, then both can participate independently in the program. Total joint assets will be divided equally between the two participants (see "Assets" section) in the LIPP evaluation. Additionally, the dependent care allowances will be applied proportionally between the two participants based on their incomes.

A Dependent Care Allowance, consisting of \$6,000 for the first dependent, \$3,600 for each additional dependent, and reasonable expenses (up to 10% of household income per child) incurred for child care, will be subtracted from the income to determine the adjusted income for a participant. These allowances do not extend to private school tuition for school-aged children. The LIPP adjusted income is used to determine the Participant Contribution amount. The allowance is applied proportionately to each parent's income when both parents are working. If the non-LIPP parent is at home caring for the child(ren), the allowances are applied in full to the one income.

While being a stay-at-home parent is not a LIPP-eligible position, LIPP will cover loan payments due for up to six months for an employer-approved parental leave. To be eligible during this period of time the graduate must be on a formal leave and must be returning to the same employer at the end of the leave. Should the graduate terminate employment during the leave he or she will be responsible for repaying any assistance received from LIPP to cover the parental leave. LIPP eligibility will be calculated as if the graduate were working full-time during this period. LIPP also covers part-time work after having children. This policy applies only for parents of children not yet of age to enter ninth grade, and part-time work must be at least half time. For purposes of eligibility and contribution rates, the full-time salary equivalent is considered.

### **Assets**

Assets are considered in determining the amount of a LIPP subsidy. Graduates will receive an asset protection allowance of \$10,000 at graduation, with an additional \$10,000 for each subsequent year employed, as well as \$10,000 for each full year employed between college and law school. In addition we protect 50% of the vested retirement value reported by participants. For married participants, the protected asset amount is doubled since the spouse's assets are also considered. The total allowance is then subtracted from the total amount of assets, resulting in an amount of unprotected assets. A declining percentage (from 100% for 0 years out to 0% for 10 years out) is applied to the unprotected amount. This result is then divided by the outstanding loan debt amount, resulting in a percentage. The LIPP subsidy is reduced by that percentage.

### **Judicial Clerkships**

LIPP is not intended to cover most judicial clerkships, since graduates who serve as clerks usually proceed immediately to higher-paying positions. Graduates doing clerkships and then moving into non-LIPP positions should consult with the LIPP office regarding repayment options during the clerkship period.

However, graduates who take clerkships and intend to take a LIPP-qualifying position after the clerkship is completed are eligible with the following provisions:

- LIPP will provide clerkship loans during the period of the clerkship to cover any difference between the educational loan payments due in that year that qualify for LIPP coverage and the repayments required under LIPP.
- LIPP eligibility is contingent on employment, required loan payments, income and assets, as well as the same factors for a spouse, if applicable. (\*\*To be considered eligible for LIPP a graduate must qualify for a LIPP benefit check.)
- For those who participate in LIPP after the clerkship, the LIPP assistance awarded during the clerkship will be forgiven at the end of the first full year of eligibility in the post-clerkship position. For two-year clerkships, the second year of clerkship LIPP assistance will be forgiven at the end of the second full year of LIPP eligibility in the post-clerkship position.

**2017-18 LIPP Expected Contribution Scale**

<u><b>Income</b></u>	<u><b>Expected Contribution</b></u>
\$47,000 or less	None
\$47,001 - \$53,000	20% over \$47,000
\$53,001 - \$125,000	\$1,200 + 40% over \$53,000
\$125,001 and above	\$30,000 + 80% over \$125,000

Income	Annual Expected Contribution	Monthly Expected Contribution	Income	Annual Expected Contribution	Monthly Expected Contribution
\$47,000.00	\$0.00	\$0.00	\$79,000.00	\$11,600.00	\$966.67
\$48,000.00	\$200.00	\$16.67	\$80,000.00	\$12,000.00	\$1,000.00
\$49,000.00	\$400.00	\$33.33	\$81,000.00	\$12,400.00	\$1,033.33
\$50,000.00	\$600.00	\$50.00	\$82,000.00	\$12,800.00	\$1,066.67
\$51,000.00	\$800.00	\$66.67	\$83,000.00	\$13,200.00	\$1,100.00
\$52,000.00	\$1,000.00	\$83.33	\$84,000.00	\$13,600.00	\$1,133.33
\$53,000.00	\$1,200.00	\$100.00	\$85,000.00	\$14,000.00	\$1,166.67
\$54,000.00	\$1,600.00	\$133.33	\$86,000.00	\$14,400.00	\$1,200.00
\$55,000.00	\$2,000.00	\$166.67	\$87,000.00	\$14,800.00	\$1,233.33
\$56,000.00	\$2,400.00	\$200.00	\$88,000.00	\$15,200.00	\$1,266.67
\$57,000.00	\$2,800.00	\$233.33	\$89,000.00	\$15,600.00	\$1,300.00
\$58,000.00	\$3,200.00	\$266.67	\$90,000.00	\$16,000.00	\$1,333.33
\$59,000.00	\$3,600.00	\$300.00	\$91,000.00	\$16,400.00	\$1,366.67
\$60,000.00	\$4,000.00	\$333.33	\$92,000.00	\$16,800.00	\$1,400.00
\$61,000.00	\$4,400.00	\$366.67	\$93,000.00	\$17,200.00	\$1,433.33
\$62,000.00	\$4,800.00	\$400.00	\$94,000.00	\$17,600.00	\$1,466.67
\$63,000.00	\$5,200.00	\$433.33	\$95,000.00	\$18,000.00	\$1,500.00
\$64,000.00	\$5,600.00	\$466.67	\$96,000.00	\$18,400.00	\$1,533.33
\$65,000.00	\$6,000.00	\$500.00	\$97,000.00	\$18,800.00	\$1,566.67
\$66,000.00	\$6,400.00	\$533.33	\$98,000.00	\$19,200.00	\$1,600.00
\$67,000.00	\$6,800.00	\$566.67	\$99,000.00	\$19,600.00	\$1,633.33
\$68,000.00	\$7,200.00	\$600.00	\$100,000.00	\$20,000.00	\$1,666.67
\$69,000.00	\$7,600.00	\$633.33	\$101,000.00	\$20,400.00	\$1,700.00
\$70,000.00	\$8,000.00	\$666.67	\$102,000.00	\$20,800.00	\$1,733.33
\$71,000.00	\$8,400.00	\$700.00	\$103,000.00	\$21,200.00	\$1,766.67
\$72,000.00	\$8,800.00	\$733.33	\$104,000.00	\$21,600.00	\$1,800.00
\$73,000.00	\$9,200.00	\$766.67	\$105,000.00	\$22,000.00	\$1,833.33
\$74,000.00	\$9,600.00	\$800.00	\$106,000.00	\$22,400.00	\$1,866.67
\$75,000.00	\$10,000.00	\$833.33	\$107,000.00	\$22,800.00	\$1,900.00
\$76,000.00	\$10,400.00	\$866.67	\$108,000.00	\$23,200.00	\$1,933.33
\$77,000.00	\$10,800.00	\$900.00	\$109,000.00	\$23,600.00	\$1,966.67
\$78,000.00	\$11,200.00	\$933.33	\$110,000.00	\$24,000.00	\$2,000.00

*Note: LIPP has no fixed income ceiling. Each individual graduate may qualify for LIPP assistance up to the point at which his or her eligible monthly loan payment is greater than his or her monthly contribution from income.*