

# Glossary of LIPP Terms

## **APPLICATION TERMS**

### **Disclosure/Obligation Statement**

This is documentation provided by your servicer which will include an estimate of your required payment and when your first payment is due. This will be used to create your first award in order to get you your funding as early as possible; you will need to follow up with a *Lender Certification* once your payment amount and due date is set. In some cases there may be no change between the estimate and the actual required payment amount and due date.

### **Lender Certification**

A statement from your servicer(s) that includes the repayment status, due date, amount due, current balance, and (for returning participants) a payment history of at least 6 months. This can be a copy of your paper statement, an online statement, or multiple screen shots of your accounts.

## **ELIGIBILITY TERMS**

### **Assets**

For LIPP purposes assets are considered to include cash, savings, investment accounts, vested retirement accounts, and property. Retirement accounts are considered at 50% of their value and property value is assessed as Fair Market Value, less mortgage debt. Zillow is used to determine FMV unless an assessment from a real estate professional is provided.

### **Asset Protection**

The amount of assets disregarded within the LIPP eligibility calculation. This figure is set at \$10,000 for each full year worked between college and HLS and increases by \$10,000 for each year after graduation from HLS. All LIPP participants start with a minimum of \$10,000 of asset protection for their first year post-HLS and the protection increases are added on July 1<sup>st</sup> of each subsequent year. Married participants receive \$20,000 of asset protection at graduation and the allowance is increased by \$20,000 each year.

### **Asset Reduction**

Participants who have assets that exceed their Asset Protection amount will have an Asset Reduction applied to their award based on the value of their assets. This reduction is a percentage based on their *Assets* LESS their *Asset Protection* DIVIDED by the outstanding balance on their education loans.

## **Deferment**

A period during which the repayment of the principal amount of the loan is suspended as a result of the borrower's meeting one of the requirements established by law and/or contained in the promissory note. During this period, the borrower may or may not have to pay interest on the loan, and there is no required payment which means this loan is not considered when determining LIPP eligibility.

## **Dependent Care Allowance (DCA)**

An allowance made against income for legal dependents, usually children. The standard DCA is \$8,000 per dependent. In addition participants can report actual childcare expenses by submitting bills and/or receipts from their childcare providers; these additional expenses are capped at \$20,000 per child. For those LIPP Participants who received an award (with a dependent care allowance) for a period prior to January – June 2019, and have a total family income exceeding \$200,000, the previous 10% allowance per child will still apply.

## **Full-Time Equivalent Income (FTE)**

This is the income at which a participant would be earning if they were receiving a full-time income. The FTE income is used when participants are working part-time to care for a school aged child and when they are on parental leave regardless of if the leave is paid or unpaid by the employer.

## **Forbearance**

An agreement to accept a temporary cessation of loan payments, smaller payments than were previously scheduled, or an extension of time for making payments. Forbearance may be given for circumstances not covered by deferment that adversely affect your ability to meet loan payment obligations, such as economic hardship. Interest that accumulates during a forbearance is not eligible for LIPP assistance and during this period there is no required payment which means this loan is not considered when determining LIPP eligibility.

## **Grace Period**

A period of time that begins when you graduate, leave school, or your enrollment status drops below half-time – whichever comes first – and ends when your first loan payment is due. Participants must use any grace periods for which they are eligible. During this period there is no required payment which means this loan is not considered when determining LIPP eligibility.

## **Household Income**

The total gross income from all sources attributable to members of the household. This figure is not tied to AGI from taxes.

## **Ineligible Borrowing**

Any borrowing done at HLS that replaced a participant's expected student contribution from income and/or assets, debt from other graduate programs, any Harvard joint degree or undergraduate debt that exceeds \$50,000 and any bar loan debt that exceeds \$10,000.

## **Ineligible Loan Payments**

The portion of a monthly required payment that covers *Ineligible Borrowing*. This payment will be an out of pocket expense in addition to the Participant Contribution.

## **LIPP Income**

Income from all sources, both taxable and non-taxable. 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. If a participant is married and their spouse is earning more than the participant, LIPP income will be an average of their incomes. An allowance will be made against the spouse's income for any required educational loan payments.

## **Longevity Allowance**

At the beginning of a participant's 5<sup>th</sup> year in LIPP they will receive a longevity allowance of \$5000 which will be deducted from their income when determining eligibility. This allowance will increase by \$1000 for each year of participation after the 5<sup>th</sup> year.

## **Parental Leave**

This is an approved leave from employment and LIPP assistance is provided at a *FTE income*. If a participant is leaving a job, taking time off, then starting a new job transition time would need to be used to the extent it is available.

## **Participant Contribution**

The amount, based on income from all sources, participants are expected to pay towards their eligible loan payments before receiving any LIPP assistance.

## **Transition Time**

Any time of unemployment between LIPP eligible positions. Participants are eligible for up to 24 weeks of transition time the entire time they are in LIPP and their assistance during the transitions will be calculated at the average of their income on either side of the break in employment.

## **Unprotected Assets**

The value of a participant's assets that exceed his or her *Asset Protection* amount.

## **AWARD TERMS**

### **Clerkship Loan**

Participants who are clerking will receive their LIPP funding in the form of a forgivable loan. LIPP awards clerkship assistance this way and then forgives these loans once the post-clerkship eligibility requirements are met. Recipients of Clerkship Loans will need to sign and return a *Promissory Note* and *TILA Disclosure* for each award.

### **One-Year Loan**

Participants working in a government agency or tax-exempt section 501(c)(3) organization will receive their LIPP funding in the form of a forgivable loan. LIPP awards are disbursed this way and then forgiven on an annual basis so graduates are not required to pay taxes on their loan repayment assistance. Recipients of One-Year Loans will need to sign and return a *Promissory Note* and *TILA Disclosure* for each award.

### **Promissory Note**

A legal document signed by you when obtaining a loan. It lists the conditions under which the loan is made and the terms under which you agree to repay the loan. Borrowers should keep copies of their promissory notes so you know what you agreed to for each loan. Participants will need to sign a Promissory Note and *TILA Disclosure* if they receive Clerkship Loans or One-Year Loans.

### **Taxable Awards**

Participants who are working in the private sector, at organizations without 501(c)(3) status, OR are employees of Harvard University will receive their LIPP funding in the form of a Taxable Award. LIPP is required to award assistance to graduates working in the private sector in this manner due to IRS tax codes. The Taxable Awards are grossed up by 25% to help offset the tax liability caused by the funding and recipients of Taxable Awards will receive a 1099-Misc annually.

### **Truth In Lending Act (TILA) Disclosure**

A document which outlines the total cost of the loan including the total amount to be repaid with interest. Participants will need to sign a *Promissory Note* and *TILA Disclosure* if they receive Clerkship Loans or One-Year Loans.

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