

**LOW INCOME PROTECTION PLAN**  
HARVARD LAW SCHOOL, WASSERSTEIN SUITE 5027  
CAMBRIDGE, MASSACHUSETTS 02138  
TEL: (617) 495-0643  
lipp@law.harvard.edu

***2022-2023 LIPP Program Guidelines***  
*Effective July 1, 2022*

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Many Harvard Law School graduates choose to work in lower-paying public service or private sector positions. Given a significant educational debt burden, such choices might not be feasible without loan repayment assistance. The HLS 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. Through LIPP, Harvard Law School is committed to preserving freedom of job choice within the legal profession for its graduates.

The mission of LIPP is to enable HLS J.D. graduates to pursue a broad range of relatively lower income employment options while maintaining the ability to repay their student loans. The plan reduces the loan repayment burden for graduates in full-time government, public sector, and academic jobs, or in full-time law-related jobs in the private sector. 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, LIPP assistance is not awarded retroactively 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. The LIPP staff is available to counsel students and graduates about the program and other aspects of debt management.

### **Eligible Employment**

LIPP is available for Harvard Law School JD Program graduates who work in any 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. Students and alumni who are unsure as to whether their planned employment will meet the eligibility 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.

To be eligible for assistance the participant's employment must at least part-time (17.5 hours/week) 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. If the participant is working part-time a "full-time equivalent" salary will be imputed. 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.

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.

### **Transition Assistance**

LIPP coverage is not available for periods of unemployment, volunteer employment, or less than full-time employment outside of a parental leave. However, individuals may use their allotted transition assistance during those periods in order to maintain eligibility. To qualify for LIPP assistance during any type of leave or transition a graduate must work in a job that qualifies for a LIPP benefit immediately before and after the leave or transition. The assistance provided during the transition is calculated using the average of the two incomes surrounding the break in employment.

Participants are eligible for a total of 24 weeks of transition assistance during their entire time in LIPP for periods of transition between two LIPP-eligible positions. Graduates entering LIPP will have 12 weeks of transition time and will earn an additional 12 weeks upon beginning their 5th year in the program. A maximum of 12 weeks of transition assistance may be used in a 12 month time frame. Additional transition assistance is available for up to 3 months during a doctor-approved medical or disability leave by the participant. This may be combined with standard transition time to cover a leave of up to 6 months within a 12 month time frame.

If a participant exhausts his or her transition eligibility or has a break in employment longer than 12 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.

### **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 calculated LIPP student contribution and any HLS Grant assistance. (Please note that 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 full 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 \$15,000 in borrowing for bar-related expenses are LIPP eligible. Up to \$50,000 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. LIPP coverage is also not available for student loans with repayment terms shorter than 10 years or 120 payments total. Undergraduate and joint-Harvard-degree borrowing in excess of \$50,000 is not eligible for LIPP coverage. Borrowing to replace one's own unprotected assets or imputed summer savings (based on documented summer earnings), or for living expenses above the standard financial aid budget, is also not eligible for LIPP. For married students, the spouse's contribution is considered part of the student contribution and borrowing to replace this amount is not eligible for LIPP.

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 basis, 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.

### **Participant Contribution**

Student loan repayment is considered to be the financial priority of LIPP participants. Participants allocate, according to the following "Expected Contribution" chart, a limited percentage of their income toward their total annual education loan repayment. LIPP then 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 with an adjustment made if a participant's assets exceed their asset protection allowance.

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. The income and asset information of a married participant's spouse is also considered when determining benefits.

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.

#### **2022-2023 LIPP Expected Contribution toward Eligible Loans (as of July 1, 2022)**

<u>Gross Annual Income</u>	<u>Portion of annual income graduate pays toward eligible loans before qualifying for LIPP Assistance*</u>
\$55,000 or less	None
\$55,000 - \$61,000	20% of amount over \$55,000
\$61,000 - \$133,000	\$1,200 + 40% of amount over \$61,000
\$133,000 and above	\$30,000 + 80% of amount over \$133,000

*\* 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 \$118,000. Please note that 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.

### **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 of \$8,000 per dependent, and documented child care expenses of up to \$20,000 per dependent, will be subtracted from the income to determine the adjusted income for a participant. This allowance does 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.

LIPP will provide assistance during a parental leave of up to six months regardless of whether the leave is approved by an employer or the participant is returning to the same position or employer after the leave. To qualify for LIPP assistance during a parental leave the graduate must work in a job that qualifies for a LIPP benefit immediately before and after the leave or transition. LIPP eligibility will be calculated as if the graduate were working full-time during this period of time and using the average of the two full-time equivalent incomes surrounding the leave.

### **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. Asset protection allowances update yearly on July 1. 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. 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 payment.)
- 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.

Repayment of LIPP Clerkship Loans by participants who do not continue in a position that qualifies them for a LIPP benefit based on income while they still owe a clerkship repayment obligation will be based on the amount of income, including bonus pay, earned following the clerkship. Spousal income is also considered when determining the repayment amount. Should a participant become ineligible for a LIPP benefit due to the value of their assets while

they still owe a clerkship repayment obligation either during or following their clerkship, or because they accept a position which does not meet the LIPP employment eligibility guidelines, the full balance of the clerkship assistance received will become immediately repayable.

**2022-2023 LIPP Participant Contribution Scale Examples (as of July 1, 2022)**

<b>Income</b>	<b>Annual Contribution</b>	<b>Monthly Contribution</b>	<b>Income</b>	<b>Annual Contribution</b>	<b>Monthly Contribution</b>
\$55,000.00	\$0.00	\$0.00	\$87,000.00	\$11,600.00	\$966.67
\$56,000.00	\$200.00	\$16.67	\$88,000.00	\$12,000.00	\$1,000.00
\$57,000.00	\$400.00	\$33.33	\$89,000.00	\$12,400.00	\$1,033.33
\$58,000.00	\$600.00	\$50.00	\$90,000.00	\$12,800.00	\$1,066.67
\$59,000.00	\$800.00	\$66.67	\$91,000.00	\$13,200.00	\$1,100.00
\$60,000.00	\$1,000.00	\$83.33	\$92,000.00	\$13,600.00	\$1,133.33
\$61,000.00	\$1,200.00	\$100.00	\$93,000.00	\$14,000.00	\$1,166.67
\$62,000.00	\$1,600.00	\$133.33	\$94,000.00	\$14,400.00	\$1,200.00
\$63,000.00	\$2,000.00	\$166.67	\$95,000.00	\$14,800.00	\$1,233.33
\$64,000.00	\$2,400.00	\$200.00	\$96,000.00	\$15,200.00	\$1,266.67
\$65,000.00	\$2,800.00	\$233.33	\$97,000.00	\$15,600.00	\$1,300.00
\$66,000.00	\$3,200.00	\$266.67	\$98,000.00	\$16,000.00	\$1,333.33
\$67,000.00	\$3,600.00	\$300.00	\$99,000.00	\$16,400.00	\$1,366.67
\$68,000.00	\$4,000.00	\$333.33	\$100,000.00	\$16,800.00	\$1,400.00
\$69,000.00	\$4,400.00	\$366.67	\$101,000.00	\$17,200.00	\$1,433.33
\$70,000.00	\$4,800.00	\$400.00	\$102,000.00	\$17,600.00	\$1,466.67
\$71,000.00	\$5,200.00	\$433.33	\$103,000.00	\$18,000.00	\$1,500.00
\$72,000.00	\$5,600.00	\$466.67	\$104,000.00	\$18,400.00	\$1,533.33
\$73,000.00	\$6,000.00	\$500.00	\$105,000.00	\$18,800.00	\$1,566.67
\$74,000.00	\$6,400.00	\$533.33	\$106,000.00	\$19,200.00	\$1,600.00
\$75,000.00	\$6,800.00	\$566.67	\$107,000.00	\$19,600.00	\$1,633.33
\$76,000.00	\$7,200.00	\$600.00	\$108,000.00	\$20,000.00	\$1,666.67
\$77,000.00	\$7,600.00	\$633.33	\$109,000.00	\$20,400.00	\$1,700.00
\$78,000.00	\$8,000.00	\$666.67	\$110,000.00	\$20,800.00	\$1,733.33
\$79,000.00	\$8,400.00	\$700.00	\$111,000.00	\$21,200.00	\$1,766.67
\$80,000.00	\$8,800.00	\$733.33	\$112,000.00	\$21,600.00	\$1,800.00
\$81,000.00	\$9,200.00	\$766.67	\$113,000.00	\$22,000.00	\$1,833.33
\$82,000.00	\$9,600.00	\$800.00	\$114,000.00	\$22,400.00	\$1,866.67
\$83,000.00	\$10,000.00	\$833.33	\$115,000.00	\$22,800.00	\$1,900.00
\$84,000.00	\$10,400.00	\$866.67	\$116,000.00	\$23,200.00	\$1,933.33
\$85,000.00	\$10,800.00	\$900.00	\$117,000.00	\$23,600.00	\$1,966.67
\$86,000.00	\$11,200.00	\$933.33	\$118,000.00	\$24,000.00	\$2,000.00