

American Bar Association Legislative Priority  
*Access to Legal Education*

## Loan Repayment Assistance for Public Interest Lawyers

*In the 110<sup>th</sup> Congress, President Bush signed into law two major Acts (P.L. 110-84 and P.L. 110-315), each holding vital loan assistance for prosecutors and defenders, among others.*

### **Public Service Loan Forgiveness (§401, P.L. 110-84)**

This sweeping loan forgiveness program, particularly when partnered with an accompanying repayment option, represents the most significant opportunity for relief for high-debt, lower-income public service lawyers including full-time prosecution or defense, as well as those in government, 501(c)(3)'s and the military. To qualify, loans must be in the William Ford Direct Lending Program, and loans assumed under the FFEL program may be consolidated into Direct, even if they had already once been consolidated within the FFEL program. *Note: Every situation is different and a trusted financial advisor should be consulted before engaging in any substantial assumption of debt or repayment program.*

Under this program, a person enters repayment while in qualifying employment and after 120 monthly payments the balance on all eligible loans is discharged in full, tax free. While standard repayment calls for 10 years of repayment, under this Act a borrower may further choose an Income Contingent Repayment Option, or starting in July 2009, the Income Based Repayment Option, which reduces borrowers' payments to an affordable percentage of their income (20% of Adjusted Gross Income minus Poverty line; or 15% of AGI minus 150% of Poverty line, respectively). For the average law student in public service, this represents a reduction of one's monthly obligation by several hundred dollars.

Because the difference between standard repayment and the modified repayment schedule is recapitalized on the loan, the balance on the loan may actually increase over 10 years and all 120 monthly payments must be completed in order to receive any benefit. For more information on the program and its potential benefits to an individual: [www.finaid.org](http://www.finaid.org) or [www.ibrinfo.org](http://www.ibrinfo.org). Additional forms and information is available at the Department of Education, 800-USA-LEARN.

*The following programs, enacted as part of P.L. 110-315, the Higher Education Opportunity Act, do not yet have implementing regulations explaining how to apply or how the money will be awarded. They have also not been funded for at least the remainder of FY2009.*

### **The John R. Justice Prosecutors and Defenders Incentive Act (§951)**

This program will provide student loan relief to prosecutors and public defenders (including for juvenile delinquency proceedings) and those who provide education and training.

The program will provide up to \$10,000 per year in exchange for a one-time renewable 3-year commitment, to a maximum \$60,000. Given the recruitment purpose of the legislation, priority will be given to those with fewer than 3 years or fewer of service; and those "least able to repay." Implementing regulations will be promulgated by the Department of Justice and will include rules ensuring parity between prosecutors and defenders and among the state and local jurisdictions. The program has been authorized for just six years at \$25 million, plus such sums as necessary to carry out the program. The Inspector General will conduct a study at year three to report on the efficacy of the program at which time it may be extended.

### **428K Loan Forgiveness for Service in Jobs of National Need (§430)**

This program provides a lengthy list of jobs considered to ones of "national need." Among the list, it includes "Public Sector Employees," which in turn includes "public interest legal services (including prosecution, public defense, or legal advocacy in low-income communities at a nonprofit organization)." *This program would provide no more than*



*\$2,000 per year, and for no more than 5 years and \$10,000. It will be administered by the Department of Education. This program includes a prohibition on persons benefiting from it and other Department programs.*

### **Perkins Loan Cancellation for Public Service (§465)**

This program cancels a percentage of a borrower's outstanding Perkins loan debt for performing certain kinds of public service jobs. Specifically, this Section was added extending this program's reach to "a full-time attorney employed in a defender organization established with section 3006A(g)(2) of Title 18", i.e., (A) federal public defender, and (B) community defender. The program cancels 15% for the first or second year; 20% for the third or fourth year, and 30% for the fifth, or 100% forgiveness for 5 years service. In addition, Congress also increased the loan limits under the Perkins program for graduate and professional students to \$8,000 per year, to a maximum of \$60,000.

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*For questions about these programs or the status of legislation, contact Kenneth Goldsmith, Legislative Counsel, ABA Governmental Affairs Office, (202) 662-1789 or [goldsmithk@staff.abanet.org](mailto:goldsmithk@staff.abanet.org)*