

VERMONT BAR FOUNDATION LOAN REPAYMENT ASSISTANCE PROGRAM

Program Description

The Vermont Bar Foundation (VBF) is a charitable organization that supports programs that promote access to justice in Vermont. VBF's statewide Loan Repayment Assistance Program (VBF-LRAP) provides loan assistance for licensed attorneys employed in non-profit organizations dedicated to serving the civil legal needs of low-income individuals and families in Vermont or employed by the Offices of the Defender General or the State's Attorneys. This program is designed to assist attorneys who have incurred significant educational debt so they can work in civil legal aid programs or in the Offices of the Defender General or the State's Attorneys.

The goal of VBF-LRAP is to assist attorneys who choose and wish to remain in employment in civil legal aid, or in the Offices of the Defender General or the State's Attorneys, and to assist civil legal aid organizations and the Offices of the Defender General and the State's Attorneys in recruiting and retaining qualified lawyers. VBF-LRAP directs assistance in the form of a forgivable loan to applicants who would otherwise be precluded from accepting qualifying employment or who would be unable to continue to work in qualifying employment because of salaries that do not support their student loan debt burden.

Eligibility

- a. **Licensure.** All participants must be licensed to practice law in the State of Vermont.
- b. **Employment.** Participants must be employed by a qualifying employer. Participants may be employed full-time or part-time. Assistance to part-time attorneys shall be pro-rated. For example, attorneys who work four days per week receive 80 percent of the assistance for which they would be eligible if they were full-time. The list of organizations approved by the VBF as qualifying employers is attached as Attachment 1. Other organizations may apply for approval to the VBF Board of Directors.
- c. **Financial Eligibility.** A participant's salary may not exceed \$50,000.
- d. **Eligible Loans.** Undergraduate, graduate and law school loans will be considered in determining the amount of assistance. Family and personal loans are excluded. Also excluded are loans for other than educational purposes.

Assistance

A maximum loan of \$5,000 per year may be awarded to each approved participant. Loan assistance shall be paid twice a year directly to the participant on a prospective basis. The number and amount of awards may be limited in the discretion of the Grants Committee of VBF-LRAP.

Application and Verification Procedures

Applications must be completed with the required documentation and submitted to the VBF by the deadline for consideration. The Grants Committee of VBF-LRAP reviews and makes decisions regarding eligibility and amounts of assistance. All information submitted in the applications is confidential.

If given an award, the participant shall submit documentation regarding employment and proof of loan payments every 6 months in compliance with the conditions and deadlines in the award letter.

Any financial or employment status changes shall be reported immediately by the participant to the VBF.

Notification to Applicants

All applicants will be notified by mail of the results of their application.

Loan Disbursement to Participants

VBF-LRAP assistance must be used by the participant to pay educational loan debt. Assistance will be disbursed in the form of a check equaling one-half of the total annual award amount. In order to receive the second check, the participant must submit proof of educational loan payments equaling half of the annual award amount during the first 6 months of the award cycle. Program assistance will, in no instance, be more than the amount of loan repayment paid by the participant.

Eligibility Changes

Assistance shall cease at the beginning of the 6-month period following the 6-month period in which a participant's salary exceeds \$50,000 or a participant terminates qualified employment. Participants that terminate qualified employment during an award year shall re-pay assistance that is not forgiven.

If a participant changes employment to another qualifying employer during an award cycle, the participant's eligibility will be reviewed by the VBF. If income qualifications are still met, there will be no change in the award amount during the current cycle. If income qualifications are not met, the award will be terminated at the time of the change. Former participants may apply in future award cycles if they have qualifying employment and income.

Discharge of Loans

Each loan shall be documented by means of a promissory note executed by the borrower in a form provided by the VBF. The loans given by the VBF will be forgivable to the extent the participant meets all applicable employment, income and other program requirements during the applicable program year. The VBF will forgive the loan at the end of the annual award year.

Federal Income Tax Liability

The VBF attempted to design this program to provide the maximum potential tax benefit to participants under changes in 1997 to Sections 108(f) of the Internal Revenue Code. The VBF believes it has structured this program so that the loan amounts forgiven by the VBF are not considered taxable income to the recipient, and thus do not have to be reported as such. However, there is very little authoritative legal guidance available to determine with certainty the proper tax treatment of this structure. The recipient remains solely responsible for any federal, state or local income tax liability s/he may incur because of the forgiveness of the VBF loan.

Contact Information

All inquiries and correspondence about the program, including application procedures and deadlines, should be directed to:

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VBF-LRAP Qualifying Employers

Have Justice-Will Travel, Inc.
Legal Services Law Line of Vermont
Office of the Public Defenders, (Employees)
Office of the State's Attorneys, (Employees)
Safeline
South Royalton Legal Clinics of Vermont Law School
Spectrum Youth and Family Services
Vermont Legal Aid, Inc.
Vermont Protection and Advocacy, Inc.
Vermont Refugee Assistance & The Vermont Immigration Project