

Name of Policy: LOAN FORGIVENESS FUND
Adopted: July 2001

Massachusetts Legal Assistance Corporation Loan Forgiveness Fund (the "Fund")

Program Description

1. Statement of Purpose.

The Fund exists to encourage recruitment and retention of the most qualified advocates to legal aid programs in Massachusetts by providing assistance with educational debt.

The Fund was established in July 2001 to lend money to attorneys and paralegals employed by qualified legal services programs in order to refinance student loans of those attorneys and paralegals. Each Fund loan shall be forgiven, pursuant to its terms, if the borrower performs one year of qualified services for a qualified legal aid program. The discharge of Fund loans is intended to be excludible from the borrower's gross income, for federal income tax purposes, under Section 108(f) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Loan Nomination Process.

Each MLAC grantee that chooses to nominate employees to receive loans from the Fund shall notify MLAC before the end of each quarter of the total amount it wishes to have applied towards loan refinancing for its employees for that quarter, and shall provide a schedule showing, for each proposed loan: the name, address and social security number of the borrower, the loan amount for the quarter, and the name of the lender (or lenders) under the original loan(s) to which the loan proceeds are to be applied. This notification shall be made by September 15 for the first quarter, December 15 for the second quarter, March 15 for the third quarter, and June 15 for the fourth quarter.

MLAC shall, in its discretion, approve or disapprove each borrower so nominated. MLAC shall reduce each grantee's overall grant for the quarter by the total amount of approved loans to its employees for such quarter, less any amounts repaid to MLAC during the previous quarter on account of loans previously made to employees of the grantee.

3. Terms of Loans.

Loans shall be made for a term of one year, and each four consecutive quarterly disbursements to a given borrower shall be treated as a single loan, with a maturity date one year from the initial disbursement. Each such loan shall be documented by means of a promissory note executed by the borrower, and shall bear interest at a rate in excess of the short-term applicable federal rate under Section 1274(d) of the Code.

4. **Disbursement of Funds.**

Prior to the end of each quarter (but subject to the receipt of a promissory note executed by the borrower in the form provided by MLAC), MLAC will issue a check for the amount to be loaned to each borrower and will forward the check to the appropriate grantee, for distribution to the borrower.

5. **Documentation.**

Each loan shall be documented by means of a promissory note executed by the borrower in a form provided by MLAC. A note may (but need not) cover up to four quarterly advances.

Within forty-five days after the end of each quarter, each borrower that received funds for the preceding quarter shall provide to the applicable grantee (and each grantee shall forward to MLAC) documentation of the application of the loan proceeds for the preceding quarter, in the form of cancelled checks, loan statements, or equivalent documentation acceptable to MLAC. All amounts not appropriately documented shall become immediately due and payable.

6. **Loan Forgiveness.**

Loans from the Fund shall be forgiven, pursuant to the terms of each borrower's promissory note, if the borrower is employed by one or more "qualified legal services programs" (within the meaning of General Laws Chapter 221A, Section 1) for at least one year following the first disbursement. In the event of an involuntary departure, as described in section 6, below, the borrower may fulfill a portion of the service requirement through service with another non-profit or government agency primarily serving low-income individuals or families in Massachusetts. All qualifying services must be performed for or under the direction of a governmental unit or an organization described in Section 501(c)(3) of the Code and exempt from tax under Section 501(a) of the Code.

7. **Involuntary departures.**

In the event that a borrower's employment with a grantee ends involuntarily, the borrower will be granted an automatic forbearance of one year. If at the end of the forbearance period the borrower has secured qualifying employment, the forbearance period will be extended for the length of time necessary for the borrower to fulfill his or her service commitment. A forbearance period may also be extended, at MLAC's discretion, for good cause (for example, if a borrower is unable to secure permanent employment).

A borrower's employment will be considered to have ended involuntarily if the borrower is laid off, or if a fixed term of employment ends and the borrower is unable to secure continued employment with the grantee.

8. **Truth in Lending.**

The Fund shall operate in conformance with applicable Truth in Lending laws.