

HOUSE No. 1579

The Commonwealth of Massachusetts

PRESENTED BY:

Eugene L. O'Flaherty

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act relative to loan forgiveness.

PETITION OF:

NAME:

Eugene L. O'Flaherty

DISTRICT/ADDRESS:

2nd Suffolk

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE HOUSE, NO. 1658 OF .]

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT RELATIVE TO LOAN FORGIVENESS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 221 of the General Laws, as appearing in the 2004 Official Edition, is hereby amended by
2 adding after section 51 the following new section: —

3 Section 51A. Loan Forgiveness for Public Service Attorneys.

4 Section 1. Purpose.

5 To establish a program to provide assistance with the repayment of educational loans associated with obtaining a
6 law degree to law school graduates who are employed full-time in public service and who have income below
7 specified levels. This program is designed to assist in recruiting and retaining diverse and highly skilled attorneys
8 with a demonstrated commitment to serving the needs of the public in the Commonwealth. This statute is to be
9 liberally construed in aid of its purpose of granting loan repayment for public service attorneys.

10 Section 2. Definitions.

11 “Adjusted Net Income” or “ANI”. The difference between an applicant’s annual gross income and the
12 applicant’s annual payments on the applicant’s qualified educational debt.

13 “Annual Gross Income” or “AGI”. The applicant’s gross income, or one-half the sum of the applicant’s gross
14 income and the gross income of the applicant’s spouse or partner, reduced by \$5,000 per dependent, but by no more
15 than \$9,000 total.

16 “Applicant”. Any person seeking loan assistance relief under this subchapter.

17 “Cost of Living Adjustment”. For any calendar year, the percentage, if any, by which the CPI for the preceding
18 calendar year exceeds the CPI for calendar year.

19 “CPI”. The Consumer Price Index for any calendar year as defined in section 1 of Title 26 of the United States
20 Code, the Internal Revenue Code.

21 “Eligible Applicant”. Any applicant who meets the eligibility requirements set forth in section IV of this
22 subchapter.

23 “Eligible Employment”. Employment on a full-time basis (at least thirty-five [35] hours a week) for one of the
24 following: (1) The Massachusetts Office of the Attorney General; (2) any District Attorney’s Office in the
25 Commonwealth; (3) the Committee for Public Counsel Services; (4) any 501(c)(3) or 501(c)(3)-(5) organization
26 receiving funding from the Massachusetts Legal Assistance Corporation or a Massachusetts Legal Services
27 Corporation, or (5) any “qualified civil legal services program,” as defined in section 1 of chapter 221A.

28 “Eligible Income”. In the base year (2006), an Adjusted Net Income of \$40,000 or less. In any subsequent year;
29 this ANI ceiling shall be increased by an amount equal to \$40,000 multiplied by the cost of living adjustment for
30 said subsequent year. If any such increase is not a multiple of \$100, such increase shall be rounded to the next
31 highest multiple of \$100.

32 “Eligible Loan”. Any loan for undergraduate or law school that is obtained for the applicant’s tuition or
33 educational expenses from a college or university, government, or commercial source, and on which payments are
34 current and not in default. The program only covers federal and private loans obtained for undergraduate or law
35 school educational expenses which have been secured by the applicant and authorized by the financial aid office of
36 the educational institutions he or she attended. Loans obtained through family or friends are not covered.

37 “Participant”. An eligible applicant who is awarded loan relief assistance under this subchapter/section/statute.

38 “Program”. The loan relief assistance program, as set forth under this subchapter.

39 “Program Award”. Money awarded to program participants to assist with the repayment of program eligible
40 educational loans.

41 “Qualified Educational Debt”. The annualized monthly amount an applicant pays for program eligible loans
42 based on a ten (10) year amortization or, if the applicant has consolidated the original loans, on a fifteen (15) year
43 amortization and the federal loan program interest rate at the time of an applicant’s first application.

44 “Retirement Plan”. Any IRS qualified retirement plan including but not limited to a defined contribution plan,
45 defined benefit plan, or other retirement plan that meets the requirements of the Internal Revenue Code (IRC) and
46 the Employee Retirement Income Security Act of 1974 (ERISA), as well as 457b plans.

47 “Unmet Income”. The difference between \$40,000 and the eligible applicant’s Adjusted Net Income, less any
48 assistance the applicant receives through a law school’s own loan assistance relief program.

49 Section 3. Program Administration.

50 The program shall be administered by a non-profit organization, as defined by section 501(c)(3) of Title 26 of
51 the United States Code, selected by the legislature (Administrator).

52 Section 4. Eligibility.

53 (a) Qualification. In order to qualify for loan relief assistance under this subchapter, an applicant must submit an
54 application to the Administrator documenting that the applicant:

- 55 1. has received a Juris Doctorate degree from a law school; and
- 56 2. is a member in good standing of the Massachusetts Bar or is eligible to sit for the next Massachusetts Bar
57 Examination or has taken the most recent Massachusetts Bar Examination and is awaiting results; and
- 58 3. has eligible employment as defined in section 2 of this chapter ; and
- 59 4. has eligible income as defined in section 2 of this chapter ; and
- 60 5. has an eligible loan as defined in section 2 of this chapter ; and
- 61 6. is currently not a recipient of a post-graduate educational fellowship which includes loan repayment relief
62 assistance; and
- 63 7. that the applicant’s liquid assets do not exceed \$15,000 (or \$30,000 when combined with equity of spouse or
64 partner), not including equity in the applicant’s IRS qualified retirement plan(s), as defined in section 2 of this
65 chapter, or principal place of residence.

66 (b) Renewal of Eligibility.

67 Applicants must apply annually for program awards. In order to remain eligible for program loan forgiveness
68 benefits, participants must remain in program eligible employment pursuant section 2 of this chapter.

69 (c) Change of Status During Program Year. Applicants must notify Administrator in writing within ninety (90)
70 days of any change in his/her eligibility based on the criterion of subsection A of this section during the program

71 year. Failure to do so may result in termination of loan repayment assistance, loan forgiveness benefits, and/or an
72 accelerated repayment schedule.

73 Section 5. Awards.

74 All awards will be issued in the form of interest free loans forgivable over a specific period of time.

75 (a) Loan Forgiveness.

76 1. If a participant remains in program eligible employment as defined in section 2 of this chapter for at least two
77 consecutive years, then fifty percent of any awards issued under this subchapter during those two years shall be
78 forgiven at the end of the two years.

79 2. If a participant remains in program eligible employment as defined in section 2 of this chapter for at least
80 three consecutive years, then one hundred percent of any awards issued under this subchapter during those three
81 years shall be forgiven at the end of the three years.

82 3. If a participant remains in program eligible employment as defined in section 2 of this chapter for four
83 consecutive years or more, all loan awards shall be forgivable in full after completion of each additional year of
84 eligibility.

85 (b) Loan Repayment.

86 1. If a participant completes less than two consecutive years of program eligible employment as defined in
87 section 2 of this chapter, the participant will be obligated to repay all awards issued to the participant under this
88 subchapter over a ten year period in four quarterly installments per year, with interest of five percent per annum.

89 2. A participant who is subject to a medical or family leave of absence from program eligible employment as
90 defined in section 2 of this chapter shall continue to receive loan repayment assistance under the program for up to
91 six months. If the leave of absence exceeds six months, the Administrator shall terminate such participant's
92 eligibility and require (a) repayment of all or part of the loan repayment assistance provided to such participant
93 during such leave of absence, as determined by the Administrator on a case-by-case basis, and (b) repayment in
94 accordance with subsection (B)(1) of this section.

95 3. A participant who loses a job through no fault of the participant shall continue to receive loan repayment
96 assistance under this program for up to the later of six months or the date of reemployment and for up to one year if
97 the participant remains unemployed. A participant who has lost a job due to a lay-off, reduction in force, illness
98 and/or disability of the participant or the illness and/or disability of the participant's spouse, family member or

99 member of the participant's immediate household, or for any other reason constituting grounds for leave or good
100 cause for leave under the federal Family and Medical Leave Act, the Massachusetts Maternity Leave Act, the
101 Massachusetts Small Necessities Act, the Massachusetts Employment and Training Law, the Massachusetts Fair
102 Employment Law or any other state or federal law protecting the rights of workers shall be determined to have lost
103 the job through no fault. All presumptions regarding fault on the part of the participant shall be made in favor of the
104 participant.

105 (c) Award Determinations.

106 The Administrator shall, in making award determinations, give priority to those eligible applicants with the
107 highest unmet income and the lowest assets as defined in section 4 of this chapter. Awards are subject to availability
108 of program funds.

109 (d) Award Amounts.

- 110 1. Eligible applicants with unmet incomes of \$10,000 or more will be eligible to receive a \$5,000 annual award;
- 111 2. Eligible applicants with unmet incomes of between \$7,000 and \$9,999 will be eligible to receive a \$4,000
112 annual award;
- 113 3. Eligible applicants with unmet incomes of \$6,999 or less will be eligible to receive a \$2,000 annual award.
- 114 4. In no event, shall the annual award to a qualified applicant exceed the applicant's annual payments on the
115 applicant's program qualifying debt.
- 116 5. No participant shall be awarded a total of more than \$100,000 total from this program.