



## HKS Loan Repayment Assistance Program (LRAP) Policies and Eligibility Guidelines

Harvard Kennedy School (HKS) reserves the right to:

- Change the program's terms
- Limit participation, which may include funding only a portion of a participant's need
- Limit the number of years a participant may take part in the program
- Limit maximum annual funding.

### **Basis of coverage**

LRAP uses your required monthly payment on the loans you borrowed to attend HKS as the basis of its coverage. If your loan balance includes other loans, any LRAP coverage will be pro-rated to reflect only the HKS portion.

LRAP coverage is based on the LESSER of:

- The required monthly payment
- The amount you would have been required to pay if you had chosen a 10-year repayment plan immediately upon graduation from HKS
  - Only the portion of the monthly payment associated with HKS loan borrowing qualifies
  - Only repayment plans of 10 years in length or greater qualify for LRAP coverage
  - Paying more than the required monthly payment will not increase LRAP coverage

**Example One:** You borrow \$50,000 and choose a 20-year repayment plan with a required monthly payment of \$387/month. When applying for LRAP, the monthly payment used for LRAP eligibility would be \$387/month.

**Example Two:** You borrow \$50,000, choose a 20-year repayment plan with a required monthly payment of \$387/month but decide to pay \$500/month. LRAP coverage would be based on \$387/month.

**Example Three:** You borrow \$50,000 and rather than choosing a standard repayment plan, ask your lender to establish a repayment plan of five years in length resulting in a monthly payment of \$990/month. Because the repayment period is less than the 10-year minimum, LRAP coverage would be based on the amount that would have been required if you had chosen the 10-year plan (\$580/month). If you elected a longer repayment plan—such as the 20-year plan above—the basis for coverage would be the monthly payment required on the longer plan(\$387/month).

**Example Four:** You borrow a total of \$50,000 but only \$30,000 of this amount was used at HKS, with the remainder borrowed either as an undergraduate or at another graduate school. You choose a 10-year repayment plan that results in a monthly payment of \$580/month. However, the amount of LRAP coverage will be pro-rated to reflect the amount of the monthly payment associated with the HKS loans only:  $\$30,000/\$50,000 = 60$  percent  $\times$   $\$580/\text{month} = \$348/\text{month}$ .

### **Length of participation**

Participation in LRAP is limited to a total of five years (non-consecutive) after graduating from an HKS degree program.

### **Nature of employment**

LRAP only supports HKS graduates employed full time in the public and nonprofit sector. Full-time paid employment directly with a nonprofit or governmental employer whose mission is consistent with the mission of HKS is considered eligible employment.

The position must also pay a salary, which, at a minimum, is sufficient to meet the full amount of average living expenses in the community where you live. If a position does not provide at least this level of compensation, it does not meet the standard for LRAP participation. If you are not employed, you are encouraged to contact your loan servicer to inquire about the possibility of economic hardship deferment, forbearance or other similar accommodations.

Employment must last at least six months from the application deadline to be considered. Employment with for-profit companies is not eligible even if work is performed exclusively for a nonprofit or government entity. An example of this would be if you were employed by an employment agency, assigned to a long-term position with an otherwise eligible employer. In this case, you would not be eligible to participate in LRAP.

### **Eligible loans**

Only loans borrowed to attend HKS are eligible for LRAP consideration. These loans must be educational loans offered by traditional lenders that: require eligibility to be certified by HKS; disburse funds directly to HKS; and have a minimum 10-year repayment period.

Eligible loans include:

- Federal Stafford loans
- Federal Perkins loans
- Federal Grad PLUS loans
- Harvard University Employees Credit Union (HUECU) loans
- Other private loans that meet the eligibility criteria above

Loans that *do not* qualify for LRAP include:

- Loans from employers (or loans generated from not returning to an employer)
- Loans from relatives or friends

- Loans from sponsors
- Loans for other educational programs, including undergraduate, other graduate and joint and concurrent programs
- Loans from governments, if you're an international student
- Advances against retirement plans
- Loans that do not require HKS to certify financial need, including HUECU post-graduation loans
- Loans taken out for non-degree study
- Loans created on the basis that you received funding that required a public service commitment, return to an employer, a return to a particular country or any other condition that was not fulfilled. For example, HKS Public Service Fellowships, hybrid scholarships/loans such as the Fundación Mexico, COLFUTURO, a loan created due to a decision not to return to an employer, etc.
- Educational loans that do not require school certification of eligibility such as:
  - PLATO loans
  - TERI Continuing Ed loans
  - Bank of America Education Maximizer Loan
  - Similar “educationally branded” loans offered by lenders but not requiring school certification

Ineligible loans do not become eligible by virtue of school certification if the loan does not meet all other criteria for a *bona fide* educational loan established by HKS Student Financial Services.

If you are in the midst of consolidating your loans and the consolidation process is not complete, report your loans individually on the LRAP application and attach a cover letter explaining the consolidation is under way. If your application is approved, you will be sent a conditional approval letter with actual payment being delayed until your consolidation process is complete.

### **Shortening repayment period**

If you begin repayment on a longer repayment term and then subsequently shorten the repayment period, the maximum monthly payment eligible for LRAP coverage is based on the amount that you would have paid had you begun repaying your loan on the new loan term at the beginning of repayment.

**Example:** You originally borrow \$50,000 with a 7 percent interest rate and select a 15-year repayment plan. This results in a required monthly payment of \$450/month. After five years of repayment, you now owe \$38,482 and decide to change the repayment plan to a 10-year term. Your lender determines that based on the five years remaining in the 10-year repayment period, the required monthly payment will now be \$761.

However, while your lender may choose to recalculate the monthly payment, for LRAP purposes, the monthly payment eligible for coverage is determined by calculating the required monthly payment on the original principal amount borrowed over 10 years. In this example, that payment would be \$580/month. **Therefore, even though the new required monthly payment by your lender is now \$761/month, the amount eligible for LRAP is limited to \$540/month.**

Even if the required monthly payment of your lender is higher, LRAP coverage will not exceed the amount that would have been required had you initially elected the shorter repayment plan (minimum of 10 years).

### **Loans receiving repayment or forgiveness from another source**

LRAP only covers loans not otherwise receiving coverage by another loan forgiveness or repayment program. If you are receiving funds from another loan repayment or forgiveness program, you must provide information documenting the loans receiving coverage and details of the coverage.

If you are receiving loan repayment assistance from another source for a loan for which you are not applying for LRAP coverage, that coverage amount is excluded for LRAP eligibility purposes.

### **Definition of income**

Income is considered to be your annualized (gross monthly income x 12) compensation from your—and your spouse's—employers. In addition to direct salary, income includes any housing benefits, per diem payments, location adjustments, income generated from assets (e.g., interest payments, stock dividends, trusts, etc.), rental income, gambling winnings and any other types of recurring financial sources of support.

### **Definition of assets**

The LRAP does not consider the home in which you reside—and considered your primary residence for IRS purposes—as an asset. Nor does it consider assets saved in a formal retirement plan such as a 401(k) or a 403(b). All other assets are considered assets for LRAP eligibility purposes, including:

- Cash and savings
- Stocks and bonds
- Real estate
- Houses (except for house that the IRS considers your primary residence)
- Trusts
- Any other assets held by you or your spouse
- Asset allowances

### **Asset allowances**

HKS recognizes the need for you to maintain some form of savings in the event of unforeseen circumstances. Therefore, HKS maintains an asset protection allowance for you as an LRAP applicant. After determining the total value of your assets, the LRAP Committee subtracts \$10,000 if you are unmarried and \$15,000 if you are married.

**Percent of Loan Payment Covered by Income and Liquid Assets Level**

Unmarried		Married*	
Gross Annualized Income (and Assets > \$10,000)	Coverage	Gross Annualized Income (and Assets > \$15,000)	Coverage
\$32,000	100%	\$51,000	100%
\$33,000	100%	\$52,000	100%
\$34,000	100%	\$53,000	100%
\$35,000	100%	\$54,000	100%
\$36,000	90%	\$55,000	100%
\$37,000	90%	\$56,000	90%
\$38,000	90%	\$57,000	90%
\$39,000	90%	\$58,000	90%
\$40,000	90%	\$59,000	90%
\$41,000	80%	\$60,000	90%
\$42,000	80%	\$61,000	80%
\$43,000	80%	\$62,000	80%
\$44,000	80%	\$63,000	80%
\$45,000	80%	\$64,000	80%
\$46,000	70%	\$65,000	80%
\$47,000	70%	\$66,000	70%
\$48,000	70%	\$67,000	70%
\$49,000	70%	\$68,000	70%
\$50,000	70%	\$69,000	70%
\$51,000	60%	\$70,000	70%
\$52,000	60%	\$71,000	60%
\$53,000	60%	\$72,000	60%
\$54,000	60%	\$73,000	60%
\$55,000	60%	\$74,000	60%
\$56,000	50%	\$75,000	60%
\$57,000	50%	\$76,000	50%
\$58,000	50%	\$77,000	50%
\$59,000	50%	\$78,000	50%
\$60,000	50%	\$79,000	50%
\$61,000	40%	\$80,000	50%
\$62,000	40%	\$81,000	40%
\$63,000	40%	\$82,000	40%

**Percent of Loan Payment Covered by Income and Liquid Assets Level (continued)**

Unmarried		Married*	
Gross Annualized Income (and Assets > \$10,000)	Coverage	Gross Annualized Income (and Assets > \$15,000)	Coverage
\$64,000	40%	\$83,000	40%
\$65,000	40%	\$84,000	40%
\$66,000	35%	\$85,000	40%
\$67,000	35%	\$86,000	30%
\$68,000	35%	\$87,000	30%
\$69,000	35%	\$88,000	30%
\$70,000	35%	\$89,000	30%
\$71,000	30%	\$90,000	30%
\$72,000	30%	\$91,000	30%
\$73,000	30%	\$92,000	30%
\$74,000	30%	\$93,000	30%
\$75,000	30%	\$94,000	30%
\$76,000	25%	\$95,000	30%
\$77,000	25%	\$96,000	25%
\$78,000	25%	\$97,000	25%
\$79,000	25%	\$98,000	25%
\$80,000	25%	\$99,000	25%
Greater than \$80K	0%	\$100,000	25%
		\$101,000	25%
		\$102,000	25%
		\$103,000	25%
		\$104,000	25%
		\$105,000	25%
		Greater than \$105	0%

\* Or unmarried applicants with legally related dependents under the age of 18, living with the applicant and deriving 100 percent of their support from the applicant.

## Examples

**Unmarried applicant:** If you have \$2,000 in savings, \$5,000 in stocks and \$9,000 in equity in a second home, the modified assets for purposes of LRAP eligibility would be  $(\$2,000 + \$5,000 + \$9,000) - \$10,000 = \$6,000$ .

**Married applicant:** If you have \$10,000 in savings and no other assets, your modified assets would be  $\$10,000 - \$15,000 = \$0$ .

## Determining modified income and assets

The LRAP Committee adds your (and your spouse's) modified income and modified assets together and subtracts any required student loan payments your spouse may have. This resulting figure is compared against the following income guidelines to determine eligibility. Only loans for which you are in repayment are considered and only for the amount that you are required to make (i.e., the voluntary choice of a spouse to accelerate his/her payment will not increase the amount of spouse student loan deduction).

**Example (married applicant\* with spouse loan payments):** Your spouse has an annual loan payment of \$6,800. Together, you have liquid assets totaling \$23,200 of which only \$8,200 will be used to calculate eligibility.

\$45,000	Your income
\$33,600	Your spouse's (or registered domestic partner's) income
\$78,600	Gross household income
\$8,200	Liquid assets (after asset protection allowance)
\$86,800	Total income and assets
\$6,800	Minus your spouse's (or registered domestic partner's) annual loan debt
\$80,000	Eligible LRAP income

You would receive 50 percent of your annual student loan payment in a Loan Repayment Assistance award.

\* *Or unmarried applicants with legally related dependents under the age of 18, living with the applicant, and deriving 100 percent of their support from the applicant.*

**Example (single applicant):** You have liquid assets totaling \$5,000. Your annual loan payment is \$10,000.

\$40,000	Your income
\$0	Liquid assets (after asset protection allowance)
\$40,000	Gross household income and assets

You would be eligible to receive 90 percent of your \$10,000 annual student loan payment, which equals \$9,000 in a Loan Repayment Assistance award.

### **Domestic partnerships**

You are eligible to be considered as a married student, if you are legally married or in a registered same-sex domestic partnership. Documentation of same-sex domestic partnership registration is required.

### **Unmarried applicants with legal dependents**

If you have legal dependents under the age of 18 who reside with you and receive 100 percent of their financial support from you, you will be considered under the guidelines of the married applicant income scale.

### **Unusual medical expenses**

Unusual medical expenses may be considered as an offset against income if incurred during the coverage period. Documentation of these expenses is required. The LRAP Committee recognizes that it may be difficult to document what expenses are likely to be incurred in the future.

In most cases, recurring expenses that are allowed are those that are predictable. Examples might include dialysis, chronic conditions, high prescription drug expenses, etc. Only the amount of unreimbursed expenses that exceeds 7.65 percent of your (and your spouse's) annual income will be subtracted.

### **Example**

You have a chronic medical condition, which results in \$500 per month in unreimbursed documented medical expenses and have an annual salary of \$40,000 (7.65 percent of \$40,000 is \$3,060). Therefore, the amount your annual salary will be modified is  $(\$500 \times 12) - \$3,060 = \$2,940$ . This will result in a modified salary of  $\$40,000 - \$2,940 = \$37,060$ .

In this case, the amount of medical expenses changed your eligibility category for LRAP coverage from 75 to 90 percent.