



# YALE LAW SCHOOL

## CAREER OPTIONS ASSISTANCE PROGRAM 2010

For Classes of 2009 and Earlier\*

*“COAP: Supporting Yale Law School graduates and their professional goals.”*

Yale Law School has long encouraged its graduates to pursue public service activities. Rising educational debt burdens and stagnant public sector salaries, however, increasingly deter graduates from choosing public interest careers. Large debt and low salaries also discourage graduates from exploring career options in academia and some types of private practice. To give financial expression to the Law School's commitment to a full range of career opportunities, the School established the Career Options Assistance Program (COAP) in 1989. It provides substantial post-graduation assistance with educational loan repayment for those graduates who choose lower paying positions. COAP is designed to cover the shortfall between graduates' educational loan payments and what they can afford to pay from modest incomes. In April 2008, the Law School announced significant enhancements to the COAP program, which are described below (marked “NEW”).

Given the diversity and complexity of the situations that will be covered by the Program and the ever-changing landscape of financial aid and loan programs, the specific language of this Program description should be interpreted as guiding principles rather than rigid regulations. As our experience with the Program increases and as circumstances that motivate the existence of the Program change, there will be on-going review and adjustment of the Program by the Yale Law School faculty and administration.

### COAP 2011 APPLICATION DEADLINES

In order to be eligible for a COAP award, applications and all supporting documentation must be received by:

**January 15, 2011 – 1<sup>st</sup> Half Award (January – July)**

**August 1, 2011 – 2<sup>nd</sup> Half Award (August – December)**

### ELIGIBILITY

COAP is open to all Yale Law School graduates. Graduates may join the Program at any time within ten years of graduation.

Eligibility is based upon the graduate's income and debt level, not the type of employment. Examples of employment areas from which we expect to draw participants include, but are not limited to, (1) local, state, and federal government, (2) private not-for-profit public interest law practice, (3) low wage private law practice, (4) non-legal not-for-profit organizations serving the

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\* If you are a member of the Class of 2010 or later, please see CAREER OPTIONS ASSISTANCE PROGRAM 2010 For Classes of 2010 and Later.

public interest, and (5) academic jobs. The political or ideological orientation of the graduate, employer or work is not a factor in determining eligibility. Self-employed alumni may be eligible for COAP on a case-by-case basis. Please contact the Financial Aid Office for more information

Judicial clerkships are treated separately as outlined below.

### **CONTRIBUTION FORMULA**

The amount that a participant is expected to contribute to educational loan repayment depends on the participant's annual adjusted income, and is calculated as follows:

<b>Adjusted Income</b>	<b>Repayment Obligation</b>
under \$60,000	none
over \$60,000	25% of income over \$60,000

The contribution formula will be adjusted periodically taking various economic factors into account.

### **ADJUSTMENTS TO THE CONTRIBUTION FORMULA**

#### **1. Spousal/Partner Income and Indebtedness**

The graduate's expected contribution will be based on the greater of a) his/her income or b) half the joint income of the graduate and his/her spouse/partner. In determining joint income, educational loan payments by the spouse/partner will be subtracted in determining the spouse's/partner's annual income. If both the graduate and the spouse/partner are eligible for COAP, the special rule provided in #4 below applies.

#### **2. Dependents**

Before calculating the contribution, we deduct from gross income \$8,000 per dependent, plus reasonable expenses incurred for dependent care (up to \$17,000).

#### **Dependent Care by Spouse/Partner – *NEW for 2009***

Starting January 1, 2009, if the spouse/partner has foregone outside employment in order to care for dependent children not yet in school, a deduction equal to the maximum allowed for dependent care (currently \$17,000) will be subtracted from the graduate's

salary.

### 3. **Assets**

A portion of the graduate's assets will be added to the contribution from income. The calculation may vary according to individual circumstances, but a base amount of \$6,000, plus \$6,000 per COAP year since graduation from the Law School will always be excluded from any asset contribution formula. Qualified retirement accounts (e.g., 401K, IRA, etc.) will be excluded from the asset calculation.

### 4. **Graduate and Spouse Eligible for COAP**

In the occasional case in which the graduate and his/her spouse/partner are both eligible for COAP, the income for each will be calculated as half of the couple's combined income, educational loan repayment will not be deducted from the spouse's income, each may deduct half of the dependent allowance, and each may take the full asset exclusion.

### 5. **Adjustments for inflation**

All of the amounts in this section will be adjusted periodically, taking inflation and other economic factors into account.

## **LOANS COVERED**

All need-based loans for Yale Law School that have been processed through the YLS Financial Aid Office, including loans to replace the expected parental contribution portion of the budget for Yale Law School will be included in calculating a graduate's annual repayment obligation. Some need-based educational loans for undergraduate education may also be included in calculating the repayment obligation. For transfer students, need-based educational loans for non-Yale legal education will be reviewed on a case-by-case basis to determine whether the loans will be covered by COAP. Extraordinary debt accumulated prior to attendance at Yale Law School, loans awarded to replace the student's assets and imputed summer savings, loans in excess of the standard budgets, and loans for educational costs incurred after graduation from Yale Law School will not be covered.

Undergraduate Loans – *NEW for 2009*: Starting January 1, 2009, up to \$30,000 of need-based educational loans for undergraduate education will also be included in calculating the debt eligible to be forgiven through COAP. If you have questions about coverage for your need-based undergraduate loans, please contact the Financial Aid Office.

Joint degrees: For students in joint degree programs, loans for Yale Law School will be covered as described above. Some loans awarded while enrolled in another school or department at Yale University may also be covered. A maximum of three years of the joint degree, including the Law School portion, will be covered.

Bar loans: Loans up to \$10,000 to cover bar expenses will be covered, but these loans **must** be

taken **prior** to graduation from the Law School.

Graduate students: For graduates of the M.S.L., LL.M., and J.S.D. programs, only need-based loans awarded through the Yale Law School will be covered by COAP.

## **LEAVES AND PART-TIME WORK**

### **1. Maternity/Paternity Leave**

COAP participants may take up to six months of maternity/paternity leave for the birth or adoption of a child. The participant will receive full benefits during this leave.

### **2. Part-time Work**

A graduate working at least half-time in a qualifying position will be eligible for COAP. His/her income contribution will be based on an imputed full-time salary for the job.

## **CALCULATION OF COAP AWARDS**

For each eligible graduate, the Program will impute a loan repayment schedule that will enable the graduate to repay all covered loans in ten years from the time the graduate enters the Program. For the first five years, the repayment amount will be based on a fifteen-year straight line repayment of principal and interest at the loan repayment interest rate. For the second five years, the repayment amount will be based on a five-year straight line repayment of remaining principal and interest.

For graduates who do not enter the Program immediately after graduation, the loan amount on which the COAP award will be calculated will be reduced by the amount that the loans would have been reduced had the graduate paid the loans on a ten-year straight line repayment schedule since graduation.

Graduates who are eligible for post-graduation loan repayment assistance from sources other than the Law School are expected to apply for such benefits. COAP awards will be reduced by the amount of the assistance for which the graduate is eligible.

The Program will provide to the graduate a direct award for the difference between the imputed loan repayment that is not covered by other sources and the participant's expected contribution toward loan repayment.

Graduates are free to select whatever loan repayment option they wish, but Program benefits will be based on the imputed repayment, not the actual repayment. In order to match most closely the actual repayments to the COAP awards in the first five years of the Program, participants may wish to consider consolidating their loans on a 15 year repayment schedule. However, each participant must determine the repayment arrangement that will best fit her financial needs.

The graduate is responsible for making all loan repayments and complying with all requirements imposed by lenders and collection entities. A graduate must be in good standing with both the Law School and the lender at all times. Failure to remain in good standing with the lender and with the Law School will result in termination of eligibility for the COAP Program.

## **TAXES**

There is some debate regarding the taxability of COAP awards, and the Law School is not in a position to offer tax advice. There is some debate regarding the taxability of COAP awards under Section 108(f) of the Internal Revenue Code, and the Law School is not in a position to offer tax advice. We encourage you to consult with your tax advisor about the taxability of COAP awards. With regard to COAP participants working for employers other than a governmental or 501(c)(3) organization, the University will file an IRS 1099 form reporting "miscellaneous income" to the Internal Revenue Service. Pursuant to Section 108(f), awards to participants employed by Yale University will also be reported as "miscellaneous income".

For COAP awards that are subject to federal income taxes, COAP recipients will receive a supplemental COAP award. The maximum tax rate for which adjustment will be made is 27%. For recipients who have adjusted incomes at or below \$60,000, the supplemental award will compensate fully for the federal tax loss. For recipients who have adjusted incomes above \$60,000, 15% of the recipient's income in excess of \$60,000 will be assumed to be available to pay the tax on COAP awards, and the supplemental award will be adjusted accordingly. To determine the tax adjustment:

1. Calculate the maximum allowable federal tax on the COAP award.

Multiply the COAP award by the smaller of recipient's marginal tax rate and 27%

2. Calculate the amount of the recipient's income assumed to be available to pay the tax on the COAP award.

Multiply adjusted income, less \$60,000, by 15%;

Calculate the tax adjustment.

If #1 is larger than #2, the supplemental award is

$(\#1 - \#2) \times [1 / (1 - \{\text{the smaller of the recipient's marginal tax rate and 27\} )]$ .

If #1 is smaller than #2, there is no adjustment.

If portions of the COAP award are taxed at different rates (the result if a COAP award construed as income "bridges" two rates), the supplemental award will be calculated using the two rates,

with each rate applying to the portion of the award taxed at that rate.

The adjusted COAP award will be the total of the base COAP award and the tax adjustment. There will be no additional adjustments for state, local or foreign taxes.

**Example A**

A graduate has an adjusted income of \$35,000, a COAP award of \$4,500, and a marginal tax rate of 27%.

1. Allowable federal tax on COAP award  
 $\$4,500 \times 27\% = \$1,215$
2. Recipient's contribution to tax on COAP award  
Since the recipient's adjusted income is less than \$60,000, the contribution is \$0.
3. Tax adjustment  
 $(\$1,215 - \$0) \times \frac{1}{(1 - .27)} = \$1,215 \times 1.37 = \$1,665$
4. Total COAP award  
 $\$4,500 + \$1,665 = \$6,165$

**Example B**

A graduate has an adjusted income of \$61,000, a COAP award of \$4,500 and a marginal tax rate of 27%.

1. Allowable federal tax on COAP award  
 $\$4,500 \times 27\% = \$1,215$
2. Recipient's contribution to tax on COAP award  
 $(\$61,000 - \$60,000) \times 15\% = \$150$
3. Tax adjustment  
 $(\$1,215 - \$150) \times \frac{1}{(1 - .27)} = \$1,065 \times 1.37 = \$1,459$
4. Total COAP award  
 $\$4,500 + \$1,459 = \$5,959$

**Example C**

A graduate has an adjusted income of \$69,000, a COAP award of \$4,500, and a marginal tax rate of 27%.

1. Allowable federal tax

$$\$4,500 \times 27\% = \$1,215$$

2. Recipient's contribution to tax on COAP award  
 $(\$69,000 - \$60,000) \times 15\% = \$9,000 \times 15\% = \$1,350$

3. Tax adjustment

Since the contribution exceeds the tax there is no adjustment and the COAP award remains \$4,500.

In calculating COAP awards, there will be a reduction for tax savings that Program participants may receive from the tax deductibility of interest paid on educational loans.

### **JUDICIAL CLERKSHIPS**

Graduates working as judicial clerks may participate in COAP, but program benefits for clerkships will be in the form of a loan rather than a grant. The amount of loan for which a graduate may qualify is calculated the same way that non-clerkship COAP eligibility is calculated. The cumulative maximum amount of clerkship loans will be \$10,000. The loan will carry an interest rate equal to the Yale Student Loan rate (currently 7.5%), and it will be payable in full within one year of leaving the clerkship. Extensions may be arranged for graduates who have multiple year or consecutive clerkships.

If, after the clerkship, the graduate takes a position that qualifies for the COAP Program, the loan will be treated as a qualifying educational loan covered by the Program, and the Program will make the necessary payments of principal and interest on the participant's behalf for as long as the participant is in the Program. Clerkship loan recipients should consult with their tax advisors about the appropriate treatment of imputed interest. Upon leaving a qualifying position, any remaining balance due on the loan will be payable in full within one year. The one year repayment requirement is based on the assumption that a graduate in a high paying post-clerkship position will be able to repay the loan or refinance the loan through manageable commercial options and thereby free Program funds for others. Should this assumption be inaccurate, individual adjustments sensitive to the graduate's circumstances may be made.

### **INDIVIDUAL FACTORS AND PROGRAM DEVELOPMENT**

As with all of the School's financial aid policies, individual factors and special needs will be considered in administering COAP. Special situations created by leaves of absence and movement between qualifying and non-qualifying positions will be treated on a case-by-case basis.

Finally, we ask you to remember that resources for the COAP program are not unlimited. Please help us to conserve and safeguard these resources so that future generations of graduates can benefit from the Program as well.

Rev. – November 1, 2010